

HEALTH AND FAMILY SERVICES

Budget Summary							
Fund	2002-03 Base Year Doubled	2003-05 Governor	2003-05 Jt. Finance	2003-05 Legislature	2003-05 Act 33	Act 33 Change Over Base Year Doubled	
						Amount	Percent
GPR	\$3,951,460,800	\$3,695,784,400	\$4,028,514,000	\$4,028,514,000	\$4,011,976,900	\$60,516,100	1.5%
FED	5,623,317,200	6,333,604,300	6,471,622,500	6,479,578,600	6,457,058,700	833,741,500	14.8
PR	744,888,000	771,511,700	826,194,400	826,194,400	825,637,700	80,749,700	10.8
SEG	<u>771,991,000</u>	<u>1,742,177,700</u>	<u>1,085,610,500</u>	<u>1,091,281,200</u>	<u>1,091,281,200</u>	<u>319,290,200</u>	41.4
TOTAL	\$11,091,657,000	\$12,543,078,100	\$12,411,941,400	\$12,425,568,200	\$12,385,954,500	\$1,294,297,500	11.7%

FTE Position Summary						
Fund	2002-03 Base	2004-05 Governor	2004-05 Jt. Finance	2004-05 Legislature	2004-05 Act 33	Act 33 Change Over 2002-03 Base
GPR	2,224.20	2,144.10	2,145.15	2,145.15	2,145.15	- 79.05
FED	1,100.93	1,066.51	1,065.96	1,065.96	1,065.96	- 34.97
PR	3,457.75	2,919.03	2,957.13	2,957.13	2,957.13	- 500.62
SEG	<u>8.00</u>	<u>9.33</u>	<u>7.40</u>	<u>7.40</u>	<u>7.40</u>	<u>- 0.60</u>
TOTAL	6,790.88	6,138.97	6,175.64	6,175.64	6,175.64	- 615.24

Budget Change Items

Departmentwide

1. STANDARD BUDGET ADJUSTMENTS

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR-REV	\$0		\$96,000		\$96,000	
GPR	\$4,607,400	- 30.25	- \$102,000	0.00	\$4,505,400	- 30.25
FED	9,212,900	- 17.24	- 80,600	0.00	9,132,300	- 17.24
PR	- 1,908,000	- 14.51	- 96,000	0.00	- 2,004,000	- 14.51
SEG	<u>- 765,000</u>	<u>0.33</u>	<u>0</u>	<u>0.00</u>	<u>- 765,000</u>	<u>0.33</u>
Total	\$11,147,300	- 61.67	- \$278,600	0.00	\$10,868,700	- 61.67

Governor: Provide \$5,851,700 (\$2,332,800 GPR, \$4,839,400 FED, -\$938,000 PR, and -\$382,500 SEG) and a decrease of 54.67 positions (-30.25 GPR positions, -11.24 FED positions, -13.51 PR positions, and 0.33 SEG positions) in 2003-04 and \$5,295,600 (\$2,274,600 GPR, \$4,373,500 FED, -\$970,000 PR, and -\$382,500 SEG) and a decrease of 61.67 positions (-30.25 GPR positions, -17.24 FED positions, -14.51 PR positions, and 0.33 SEG positions) in 2004-05 to adjust the Department's base budget for: (a) turnover reduction (-\$1,920,200 GPR, -\$943,400 FED, and -\$2,445,100 PR annually); (b) removal of noncontinuing items (-\$4,445,700 GPR and -4.20 GPR positions, -\$1,676,600 FED and -11.74 FED positions, -\$1,550,600 PR, and -\$451,300 SEG in 2003-04 and -\$4,503,900 GPR and -4.20 GPR positions, -\$2,142,500 FED and -17.74 FED positions, -\$1,582,600 PR and -1.00 PR position, and -\$451,300 SEG in 2004-05); (c) full funding of continuing salaries and fringe benefits (\$5,470,100 GPR, \$7,324,000 FED, -\$2,022,700 PR, and \$44,300 SEG annually); (d) funding of ongoing s. 13.10 supplements (-\$137,700 GPR and -26.06 GPR positions, \$26,900 FED and 0.50 FED positions, -\$817,600 PR and -13.50 PR positions, and \$24,500 SEG and 0.33 SEG positions annually); (e) overtime (\$2,168,400 GPR and \$3,373,200 PR annually); (f) night and weekend differentials (\$1,146,900 GPR, \$68,200 FED, and \$2,476,800 PR annually); (g) fifth week of vacation as cash for certain long-term employees (\$51,000 GPR, \$40,300 FED, and \$48,000 SEG annually); and (h) minor transfers within appropriations (0.01 GPR position and -0.01 PR position annually).

Joint Finance/Legislature: Delete \$139,300 (-\$51,000 GPR, -\$40,300 FED, and -\$48,000 PR) annually for fifth week of vacation as cash. Require DHFS to lapse to the general fund a total of \$48,000 annually from those PR accounts or funds from which these fifth week of vacation as cash payments had been budgeted. Estimate GPR-REV of \$48,000 in 2003-04 and \$48,000 in 2004-05. However, specify that DHFS is not required to lapse to the general fund any such PR amount that is from federal funds or that is from another fund source whose lapse to the general fund would be prohibited by state or federal laws or the state or federal constitution.

[Act 33 Section: 9160(3f)]

2. DEPARTMENTWIDE REDUCTIONS [LFB Papers 365, 407, and 435]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Veto (Chg. to Leg)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions	Funding	Positions
GPR-REV	\$0		\$228,100				\$228,100	
GPR	-\$10,221,900	- 94.60	-\$556,100	- 10.28	-\$500,000	0.00	-\$11,278,000	- 104.88
FED	- 3,742,200	- 20.95	- 137,300	- 7.72	- 500,000	0.00	- 4,379,500	- 28.67
PR	<u>- 2,970,500</u>	<u>- 124.54</u>	<u>0</u>	<u>0.00</u>	<u>0</u>	<u>0.00</u>	<u>- 2,970,500</u>	<u>- 124.54</u>
Total	-\$16,934,600	- 240.09	-\$693,400	- 18.00	-\$1,000,000	0.00	-\$18,628,000	- 258.09

Governor: Reduce funding by \$6,144,400 (-\$3,543,000 GPR, -\$1,540,600 FED, and -\$1,060,800 PR) and delete 121.09 positions (-94.60 GPR positions, -20.95 FED positions, and -5.54 PR positions) in 2003-04 and reduce funding by \$10,790,200 (-\$6,678,900 GPR, -\$2,201,600

FED, and -\$1,909,700 PR) and delete 240.09 positions (-94.60 GPR positions, -20.95 FED positions, and -124.54 PR positions) in 2004-05 to reflect the following changes.

General Program Operations Reductions. Reduce funding by \$3,444,100 (-\$2,181,800 GPR, -\$781,100 FED, and -\$481,200 PR) and delete 81.73 positions (-67.34 GPR positions, -18.95 FED positions, and 4.56 PR positions) in 2003-04 and reduce funding by \$8,236,600 (-\$5,266,000 GPR, -\$1,640,500 FED, and -\$1,330,100 PR) and delete 84.73 positions (-67.34 GPR positions, -18.95 FED positions, and 1.56 PR positions) in 2004-05 to reflect the net fiscal effect of: (a) reducing the number of administrative staff positions in DHFS; (b) reducing the number of deputy bureau directors; (c) increasing the use of DHFS staff in the Division of Management and Technology to provide information technology services, and reducing the use of private contractors to perform these services; and (d) reducing funding for contracts and supplies and services.

Convert Positions to be Funded with Income Augmentation Funds. Reduce funding by \$62,200 GPR in 2003-04 and by \$165,900 GPR in 2004-05 and eliminate 3.0 GPR positions, beginning in 2003-04. Provide \$62,200 FED in 2003-04 and \$165,900 FED in 2004-05 and 3.0 FED positions, beginning in 2003-04. The federal funds are income augmentation revenues.

Special Needs Adoption Program. Reduce funding for the special needs adoption program by \$32,100 (-\$28,800 GPR and -\$3,300 FED) in 2003-04 and by \$85,400 (-\$76,800 GPR and -\$8,600 FED) in 2004-05 and eliminate 14.50 positions (-9.50 GPR positions and -5.00 FED positions), beginning in 2003-04. The change in funding is comprised of a reduction in funding for salaries and fringe (-\$157,700 GPR and -\$111,700 FED in 2003-04 and -\$420,600 GPR and -\$297,800 FED in 2004-05) and an increase in funding for supplies and services (\$128,900 GPR and \$108,500 FED in 2003-04 and \$343,800 GPR and \$289,200 FED in 2004-05) to support costs related to the contracts.

Food Stamp Retailer Transaction Fee. Delete \$500,000 (\$250,000 GPR and \$250,000 FED) annually to eliminate the food stamps transaction fee to retailers.

Consolidation of Units at Winnebago Mental Health Institute. Reduce funding by \$579,600 PR annually and delete 13.50 positions (-3.40 GPR positions and -10.10 PR positions), beginning in 2003-04, by consolidating the children's unit (ages five to 12 years old) and the adolescent unit (12 to 18 years old) into one unit at the Winnebago Mental Health Institute. Through the consolidation, one treatment team, instead of two teams, would supervise the unit.

Sand Ridge Secure Treatment Center. Reduce funding by \$451,800 GPR annually and delete 11.36 GPR positions, beginning in 2003-04, at the Sand Ridge Secure Treatment Center to reflect reestimates of populations at this facility.

Central and Southern Wisconsin Center Position Reductions. Delete 116.0 PR positions in 2004-05 at Central and Southern Wisconsin Center for the Developmentally Disabled to reflect an anticipated decrease in the number of residents at both centers resulting from the Governor's proposal to increase CIP IA rates and the centers' budget reduction rate.

MA Contracts. Reduce funding for medical assistance (MA) contracts by \$1,136,800 (-\$568,400 GPR and -\$568,400 FED) in 2003-04 and by \$936,800 (-\$468,400 GPR and -\$468,400 FED) in 2004-05 to eliminate funding for: (a) prior authorization for dental services (-\$105,600 GPR and -\$105,600 FED annually); and (b) selected MA support functions provided by EDS, the contracted fiscal agent for MA (-\$462,800 GPR and -\$462,800 FED in 2003-04 and -\$362,800 GPR and -\$362,800 FED in 2004-05.)

Joint Finance/Legislature: Modify the Governor's recommendation as follows:

Eliminate Assistant Area Administrators. Delete \$628,000 (-\$452,600 GPR and -\$175,400 FED) in 2003-04 and \$837,300 (-\$603,500 GPR and -\$233,800 FED) in 2004-05 and 15.00 positions (-10.28 GPR positions and -4.72 FED positions), beginning in 2003-04, to eliminate the Department's assistant area administrator positions.

Currently, DHFS has 17.5 assistant area administrator positions. The Governor's bill would delete 2.5 assistant area administrator positions. This provision would delete the remaining 15.0 assistant area administrator positions.

Convert Positions to be Funded with Income Augmentation Funds. Approve the Governor's recommendation to reduce funding by \$62,200 GPR in 2003-04 and \$165,900 GPR in 2004-05 and delete 3.0 GPR positions, beginning in 2003-04, but delete the corresponding increase in FED funding and position authority supported by income augmentation revenue. In addition, lapse \$62,200 in 2003-04 and \$165,900 in 2004-05 in income augmentation funds to the general fund.

Food Stamp Retailer Transaction Fee. Delete the Governor's provision to eliminate the food stamp transaction fee DHFS pays to retailers. Increase funding in the bill by \$500,000 (\$250,000 GPR and \$250,000 FED) annually to continue funding this fee. In addition, require DHFS to pay retailers a fee of \$0.08 for each food stamp purchase or merchandise return transaction or balance inquiry conducted on a point-of-sale terminal that is owned or leased by the supplier for use in the delivery of food stamp benefits.

Veto by Governor [Page xxii, Item #2, of the Governor's veto message and C-19]: Modify the enrolled bill as follows:

Assistant Area Administrators. In the Governor's veto message, the Governor indicates his intent to give DHFS discretion to determine which positions would be deleted. Consequently, DHFS could retain some or all of the current assistant area administration positions.

Food Stamp Retailer Transaction Fee. Delete provision. In addition, reduce funding by \$500,000 (-\$250,000 GPR and -\$250,000 FED) annually to reflect the elimination of this fee.

[Act 33 Section: 9224(2c)]

[Act 33 Vetoed Sections: 286 (as it relates to s. 20.435(4)(bm)) and 1450m]

3. TANF-FUNDED PROGRAMS [LFB Papers 853 and 855]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$2,734,200	- \$2,734,200	\$0
PR	<u>- 7,234,200</u>	<u>2,734,200</u>	<u>- 4,500,000</u>
Total	- \$4,500,000	\$0	- \$4,500,000

Governor: Reduce funding by \$2,250,000 (\$1,367,100 GPR and -\$3,617,100 PR) annually to reflect the following funding changes to programs that are currently supported by temporary assistance for needy families (TANF) funds transferred to DHFS from the Department of Workforce Development.

Brighter Futures and Tribal Adolescent Services Programs. Provide \$1,367,100 GPR and delete \$1,367,100 PR annually to fund the Brighter Futures and tribal adolescent services programs with GPR, rather than TANF. Brighter Futures is currently budgeted \$1,172,100 in TANF funds annually, and the tribal adolescent services program is budgeted \$195,000 annually. Delete references to TANF funding for these programs.

Grants for Services to Victims of Domestic Violence. Reduce funding for grants for services to victims of domestic violence by \$250,000 PR annually so that \$750,000 in TANF funds would be provided to support these grants annually. Currently, \$8.1 million (all funds), including \$1.0 million in TANF funds, is budgeted to fund these grants. Reduce the TANF statutory allocation to reflect this change.

Women, Infants, and Children (WIC) Supplemental Food Program. Reduce funding for grants that support nutrition services and administrative activities of local WIC projects by \$1.0 million PR annually. In federal fiscal year 2001-02, DHFS distributed approximately \$58.4 million (all funds) to provide services to nutritionally at-risk pregnant, breastfeeding, and post-partum women, infants, and children. Delete references to TANF funding for this program.

Immunization Program. Reduce funding for grants that support immunization education and outreach activities by \$1.0 million PR annually. In calendar year 2002, approximately \$19.0 million (all funds) was provided to support the state's immunization program. Delete references to TANF funding for this program.

Joint Finance/Legislature: Delete the provision relating to the Brighter Futures and tribal adolescent services programs. Consequently, these programs would continue to be budgeted with TANF funds, rather than GPR.

[Act 33 Sections: 1276 thru 1279]

4. PROGRAM REVENUE LAPSES

GPR-REV	\$975,000
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Governor/Legislature: Lapse \$975,000 in program revenues (PR) to the general fund from the following appropriations.

Health Care Information -- General Program Operations. Lapse \$162,500 annually from the appropriation that supports the Department's activities relating to the collection, analysis and dissemination of health care information under Chapter 153. Certain health care providers, including hospitals and physicians, pay annual assessments to DHFS to support this function.

Health Care Information -- Compilation of Reports. Lapse \$50,000 annually from the appropriation that supports the Department's costs of compiling data and preparing special reports, based on health care information collected by DHFS under Chapter 153. The fees individuals pay to obtain data compilations and special reports must be sufficient to fund the Department's actual necessary and direct cost of the compiling or preparing this information.

Division of Supportive Living -- Licensing and Support Services. Lapse \$275,000 annually from the appropriation that supports licensing and support services provided by the Division of Supportive Living. Health care licensing fees, certification fees, plan review fees, fees for background checks, workshop fees, and fees assessed for inspecting, licensing and approving facilities, and revenue from the annual licensing and approval fees assessed to inpatient health care facilities, are credited to this appropriation.

Prohibit the DOA Secretary from lapsing or transferring these moneys to the general fund if the lapse or transfer would violate a condition imposed by the federal government on the expenditure of the moneys or if the lapse or transfer would violate the federal or state constitution.

Veto by Governor [D-3]: Allow DHFS to submit an alternative plan to the DOA Secretary for the allocation of the lapse amount. After reviewing the plan, the Secretary would have the authority to implement it.

[Act 33 Section: 9260(1)]

[Act 33 Vetoed Sections: 9260(1)(a),(cs)&(ct)]

5. HIPAA COMPLIANCE [LFB Paper 365]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR-REV	\$0	\$372,100	\$372,100
FED	\$10,545,500	- \$372,100	\$10,173,400
PR	<u>1,196,000</u>	<u>0</u>	<u>1,196,000</u>
Total	\$11,741,500	- \$372,100	\$11,369,400

Governor: Provide \$8,728,200 (\$8,044,200 FED and \$684,000 PR) in 2003-04 and \$3,013,300 (\$2,501,300 FED and \$512,000 PR) in 2004-05 to fund information systems changes in DHFS to comply with the federal Health Insurance Portability and Accountability Act (HIPAA). The federal funding includes \$2,404,000 in 2003-04 and \$714,000 in 2004-05 of income augmentation funds.

HIPAA contains provisions designed to reduce the costs and administrative burden of health care by making it possible to transmit standardized, electronic administrative and financial transactions that are currently transmitted manually on paper. HIPAA requires that all health plans, health care clearinghouses, and health care providers, including state-administered programs, comply with standards established in rules promulgated by the U.S. Department of Health and Human Services. Non-compliance with these federal regulations can result in civil and criminal penalties.

HIPAA regulations govern privacy, security, and administrative standards on health care information. Currently, four final regulations have been promulgated and DHFS expects several proposed regulations to become final by the end of 2003. Because compliance is required within 24 months of the effective date of each standard, these regulations will require DHFS to undertake many changes in the 2003-05 biennium, including modifying business software, developing new electronic business processes and changing other electronic processes, and developing new policies, procedures, security mechanisms, and compliance monitoring initiatives. DHFS began implementing changes to comply with HIPAA in the 1999-01 biennium and will use the one-time funding in this provision to continue implementing HIPAA through the 2003-05 biennium.

Joint Finance/Legislature: Reduce funding in the bill by \$372,100 FED in 2003-04 to delete funding for HIPAA compliance activities budgeted for the WisconCare program. In addition, lapse this amount to the general fund.

[Act 33 Section: 9124(9c) and 9224(2c)]

6. EXTEND AND CONVERT PROJECT POSITIONS

Governor/Legislature: Provide \$670,300 (\$175,300 GPR and \$495,000 FED) and 16.0 positions (4.2 GPR positions and 11.8 FED positions) in 2003-04 and \$1,098,200 (\$233,500 GPR, \$832,700 FED, and \$32,000 PR) and 20.0 positions (4.2 GPR positions, 14.8 FED positions, and 1.0 PR position) in 2004-05 to convert 12.0 project positions that are scheduled to terminate in the 2003-05 biennium to permanent status and to extend 8.0 project positions.

	Funding	Positions
GPR	\$408,800	4.20
FED	1,327,700	14.80
PR	<u>32,000</u>	<u>1.00</u>
Total	\$1,768,500	20.00

Division of Public Health. Provide \$271,700 FED and 6.0 FED positions in 2003-04 and \$457,000 FED and 8.0 FED positions in 2004-05 to: (a) convert 1.0 FED public health educator position that is responsible for improving data required under the federal maternal and child health block grant to permanent status; (b) convert 2.5 FED positions that work on cardiovascular health issues to permanent status; (c) convert 1.0 FED public health educator position that is responsible for providing HIV prevention services to African-American males in southeastern Wisconsin to permanent status; (d) convert 0.5 FED program assistant position that is funded from a federal lead poisoning prevention grant to permanent status; (e) extend, from September 29, 2004, to February 21, 2005, 1.0 FED epidemiologist position that works on injury prevention surveillance; (f) extend, from September 30, 2003, to March 27, 2005, 1.0 FED

public health nurse position that works on a project to reduce occupational injuries to teenage workers; and (g) extend, from September 29, 2004, to December 10, 2005, 1.0 FED epidemiologist position that works to strengthen environmental health capacity.

Division of Children and Family Services. Provide \$175,300 GPR and \$189,200 FED and 9.0 positions (4.2 GPR positions and 4.8 FED positions) in 2003-04 and \$233,500 GPR and \$330,300 FED and 10.0 positions (4.2 GPR positions and 5.8 FED positions) in 2004-05 to: (a) convert 4.0 positions (2.0 GPR positions and 2.0 FED positions) that provide ongoing support for the Wisconsin state automated child welfare information system (WISACWIS) to permanent status; (b) convert 1.0 FED position that is responsible for enforcing federal foster care requirements to permanent status; (c) extend, from September 30, 2003, to January 13, 2006, 4.0 positions (2.20 GPR positions and 1.80 FED positions) that oversee contracted special needs adoption services; and (d) extend, from September 30, 2004, to January 30, 2006, 1.0 FED position that collects data on adoptions for federal reporting purposes.

Division of Health Care Financing. Provide \$32,000 PR and 1.0 PR position in 2004-05 to convert 1.0 PR position that conducts record preservation activities in the vital records section in the Bureau of Health Information to permanent status.

Office of Strategic Finance. Provide \$34,100 FED in 2003-04 and \$45,400 FED in 2004-05 to convert 1.0 FED project position that serves as the office manager in the state's Washington, D.C. office to permanent status.

7. CONSOLIDATION OF STATE ATTORNEYS UNDER DOA [LFB Paper 105]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	-\$286,300	- 11.56	\$286,300	11.56	\$0	0.00
FED	- 285,500	- 5.80	285,500	5.80	0	0.00
Total	-\$571,800	- 17.36	\$571,800	17.36	\$0	0.00

Governor: Delete \$245,000 (-\$122,700 GPR and -\$122,300 FED) in 2003-04 and \$326,800 (-\$163,600 GPR and -\$163,200 FED) in 2004-05 and 17.36 positions (-11.56 GPR positions and -5.80 FED positions), beginning in 2003-04, to reflect the consolidation of executive branch attorneys under DOA, effective the later of October 1, 2003, or the first day of the third month beginning after the bill is enacted. Reallocate \$1,178,000 (\$888,900 GPR and \$289,100 FED) in 2003-04 and \$1,570,700 (\$1,185,200 GPR and \$385,500 FED) in 2004-05 of remaining base level salary and fringe benefits funding that currently supports 17.36 attorney positions (\$1,011,600 GPR and \$411,400 FED in 2003-04 and \$1,348,800 GPR and \$548,700 FED in 2004-05) to the Department's supplies and services budget to pay for legal services supplied by DOA. Specify that the Department's chief counsel position would not be subject to transfer to DOA. The federal funding that currently supports these attorney positions includes MA matching funds, Title IV-E child welfare funds, and funds available from the women, infants, and children (WIC) block grant that are budgeted to support the Department's general administrative costs.

Joint Finance/Legislature: Delete provision. Direct the Secretary of DOA to delete 31.0 FTE executive branch agency attorney positions, other than attorney positions at the University of Wisconsin System, that are vacant on January 2, 2004, and lapse the associated budgeted non-FED salary and fringe benefits amounts to the general fund in 2003-04 and 2004-05. If fewer than 31.0 FTE agency attorney positions are vacant on January 2, 2004, authorize the Secretary of DOA to delete sufficient additional state agency attorney positions, other than at the University of Wisconsin System, to ensure the elimination of a total of 31.0 FTE state agency attorney positions. The additional fiscal effect of this position deletion requirement is reflected under "Administration -- Transfers to the Department."

Veto by Governor [D-2]: Delete all references to the word "attorney," so that the Secretary of DOA must eliminate 31.0 positions that are vacant as of January 2, 2004. Delete the exemption of the University of Wisconsin System, so that the only executive branch agencies that would be exempted from the position reductions are the Department of Employee Trust Funds and the Investment Board.

[Act 33 Section: 9101(9x)]

[Act 33 Vetoed Section: 9101(9x)]

8. FEDERAL REVENUE REESTIMATES

FED	\$90,190,100
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Governor/Legislature: Provide \$46,590,100 in 2003-04 and \$43,600,000 in 2004-05 to reflect reestimates of federal revenues that support DHFS programs. The most significant items include reestimates of: (a) project aids budgeted in the Division of Public Health (\$29,960,500 annually); (b) local assistance budgeted in the Division of Children and Family Services (\$7,629,500 in 2003-04 and \$2,879,500 in 2004-05); (c) program aids (\$2,911,500 in 2003-04 and \$3,112,000 in 2004-05) and local assistance (\$1,140,000 in 2003-04 and \$1,475,500 in 2004-05) budgeted in the Division of Supportive Living; (d) disability determination state administration (\$1,839,600 in 2003-04 and \$2,907,300 in 2004-05) and aids (\$1,754,000 in 2003-04 and \$2,155,400 in 2004-05) in the Division of Health Care Financing; (e) aids funded by the preventive health services block grant (\$1,171,600 annually); and (f) aids provided under the women, infants and children supplemental food program (-\$2,401,500 annually).

9. PROGRAM REVENUE REESTIMATES

PR	\$15,272,400
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Governor/Legislature: Provide \$6,226,000 in 2003-04 and \$9,046,400 in 2004-05 to reflect reestimates of program revenues that support DHFS programs. The most significant items include reestimates of: (a) interagency and intra-agency aids in the Division of Public Health (DPH) (\$8,983,000 annually); (b) the cost of services provided by the Bureau of Information Systems, including information technology (IT) infrastructure costs (-\$6,273,900 in 2003-04 and -\$5,616,100 in 2004-05); (c) contracted IT services DHFS purchases centrally (-\$2,900,000 in 2003-04 and -\$1,550,000 in 2004-05); (d) recoveries under the medical assistance estate recovery program (\$2,822,900 in 2003-04 and \$3,001,400 in 2004-05); (e) funding transferred to DPH

(\$2,063,200 annually) and the Division of Health Care Financing (\$1,164,400 in 2003-04 and \$1,408,800 in 2004-05) to support operations costs; and (f) lead abatement certification activities (-\$274,600 in 2003-04 and -\$264,100 in 2004-05).

10. DEBT SERVICE REESTIMATE [LFB Paper 195]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$628,000	-\$227,100	-\$855,100

Governor: Reduce funding by \$196,000 in 2003-04 and \$432,000 in 2004-05 to reflect anticipated changes in debt service costs associated with facilities operated by the Division of Care and Treatment Facilities (-\$187,500 in 2003-04 and -\$418,000 in 2004-05) and the workshop for the blind (-\$8,500 in 2003-04 and -\$14,000 in 2004-05).

Joint Finance/Legislature: Reduce funding by an additional \$156,600 in 2003-04 and \$70,500 in 2004-05 to reflect reestimated amounts of debt service costs.

11. RENT AND RENT DEBT SERVICE

FED	\$488,900
PR	552,100
SEG	13,100
Total	\$1,054,100

Governor/Legislature: Provide \$481,700 (\$211,700 FED, \$263,800 PR, and \$6,200 SEG) in 2003-04 and \$572,400 (\$277,200 FED, \$288,300 PR, and \$6,900 SEG) in 2004-05 to fund projected increases in the cost of space rental for state-owned space, increases in rental rates of leased space, and the debt service portion of space rent costs not reimbursed by the federal government.

12. MUNICIPAL SERVICES

PR	\$72,800
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Governor/Legislature: Provide \$36,400 annually to reflect reestimates of annual payments the state provides to reimburse municipalities for property-tax supported expenses, such as police and fire protection, that municipalities incur in providing services to DHFS care and treatment facilities.

13. FUNDING AND POSITION ADJUSTMENTS

	Funding Positions	
FED	-\$367,800	- 3.00
PR	69,800	- 0.50
Total	-\$298,000	- 3.50

Governor/Legislature: Delete \$149,000 (-\$183,900 FED and \$34,900 PR) annually and 3.5 positions (-3.0 FED positions and -0.5 PR positions), beginning in 2003-04, to: (a) eliminate 3.5 positions that terminate in the 2001-03 biennium, including 0.5 PR administrative position that is supported by emergency medical services licensing fees and 3.0 FED social worker positions that are supported from adoption incentive payments; (b) transfer funding and positions between appropriations to more accurately reflect the purposes for which funding is budgeted

and the functions of these positions; and (c) correct funding and position transfers enacted as part of 2001 Wisconsin Act 16.

14. INCENTIVE PAYMENT TO COUNTIES FOR MA ADMINISTRATIVE COSTS [LFB Paper 365]

Governor/Legislature: Require DHFS to distribute not less than 50% of the federal medical assistance (MA) matching funds the state would receive to participating counties that claim MA-eligible administrative costs for services they provide to elderly individuals and other adults that receive mental health, developmental disabilities, and substance abuse treatment services from these counties. Specify that any remaining funds would be considered income augmentation funds and would be included in the Department's annual plan for the proposed use of income augmentation funds that is currently subject to the approval of DOA and the Joint Committee on Finance.

[Act 33 Section: 1155]

15. INCOME AUGMENTATION FUNDS [LFB Paper 365]

GPR-REV	\$12,064,700
FED	\$1,016,200

Joint Finance/Legislature: Provide \$468,100 FED in 2003-04 and \$548,100 FED in 2004-05 to: (a) delete \$40,000 FED in 2003-04 for the CEU position; (b) delete \$399,100 FED annually in base funding to account for the partial vetoes in Act 16; and (c) provide \$907,200 in 2003-04 and \$947,200 in 2004-05 for ongoing and recurring costs to augment federal income. In addition, lapse \$8,032,500 in 2003-04 and \$4,032,200 in 2004-05 to the general fund.

Use of Future Income Augmentation Revenues. Permit DHFS to use income augmentation revenues to support costs related to information systems changes to meet HIPAA requirements, implementation and ongoing costs of WISACWIS, and activities to reduce the state's food stamp payment error rate. Require DHFS to first use 2001-02 income augmentation revenues before using revenues collected after June 30, 2002, to meet the costs associated with these identified programs. Clarify that the income augmentation revenues that are included in the annual income augmentation plan does not include income augmentation funds budgeted by the Legislature.

Lapse Income Augmentation Funds to the General Fund. Require DHFS to lapse \$8,032,500 in 2003-04 and \$4,032,200 in 2004-05 in income augmentation funds to the general fund. In addition, require DHFS to lapse all income augmentation revenues received during the 2003-05 biennium that are not budgeted or already lapsed by the Legislature.

Eliminate the Current Income Augmentation Plan. Delete the provision in current law authorizing DHFS to propose the use of income augmentation revenues for purposes other than operational costs exclusively related to augmenting federal income, effective July 1, 2005. Therefore, beginning on July 1, 2005, all income augmentation revenues that are not used to

support these operational costs or other programs, as specified in current law, would lapse to the general fund.

Veto by Governor [C-28]: Delete the provisions that would have eliminated the current income augmentation plan and that would have required DHFS to lapse all income augmentation revenues received during the 2003-05 biennium that are not budgeted or already lapsed by the Legislature.

[Act 33 Sections: 1154d thru 1157, 9124(9c), 9224(2c), and 9424(10c)]

[Act 33 Vetoed Sections: 1154e, 1157b, 9224(2c), and 9424(10c)]

16. INCOME AUGMENTATION FUNDS -- OVERVIEW [LFB Papers 365, 406, and 433]

Governor: Budget a total of \$12,011,700 FED in 2003-04 and \$9,337,000 FED in 2004-05 and support 3.0 FED positions with income augmentation funds.

Income augmentation funds are unanticipated federal funds DHFS receives under Title IV-E (foster care), XIX, (Medicaid), and XVIII (Medicare) of the federal Social Security Act as reimbursement for costs that were initially paid with state or local revenue, or revenue from one of these sources that would not otherwise have been available had it not been for activities conducted to augment federal income. Income augmentation funds also include additional federal MA matching funds the state receives as reimbursement for targeted case management services provided to children, who are not eligible under Title IV-E, in out-of-home care. There are no federal restrictions relating to the use of income augmentation funds. Consequently, the state can use these funds for any purpose.

The Governor proposes to fund several items, which are summarized as separate items, using income augmentation funds, including: (a) implementation and ongoing costs of the Wisconsin statewide automated child welfare informational system (WISACWIS) in 2003-04; (b) food stamp reinvestment activities in 2003-04 and 2004-05; (c) activities in DHFS to comply with the federal Health Insurance Portability and Accountability Act (HIPAA) in 2003-04 and 2004-05; (d) replacing base GPR funding for MA benefits funding in 2003-04 and 2004-05; and (e) transferring support for 3.0 positions that are currently supported with other funding sources.

Currently, there is \$12,719,900 FED available in uncommitted income augmentation funds that were generated by DHFS by the end of the 2001-02 fiscal year. Under current law, DHFS must submit an annual plan for the proposed use of income augmentation funds that were generated in the previous fiscal year to the Department of Administration, which must forward a plan to the Joint Committee on Finance by October 1 that is subject to the approval of DOA and the Joint Committee on Finance.

The Governor's intent is to use the uncommitted balance of funds that were received by the end of the 2001-02 fiscal year, as well as income augmentation funds that the state expects to receive in 2002-03, to support these budget items. However, the Governor's bill does not

contain statutory changes to the current approval process regarding the use of these funds. Consequently, the bill would need to be amended to reflect this change. Finally, the Governor's bill should have deleted base funding (\$399,100 annually) budgeted in the appropriation to reflect a partial veto in 2001 Wisconsin Act 16.

The following table summarizes items in the bill that would be partially supported by income augmentation revenue.

**Income Augmentation Funds - Overview
Governor's Recommendations**

<u>Section</u>	<u>Item Number</u>	<u>Item</u>	<u>Amount of Income Augmentation Funds Budgeted Under the Governor's Bill</u>		
			<u>2003-04</u>	<u>2004-05</u>	<u>Total</u>
		Adjusted Base	\$399,100	\$399,100	\$798,200
Departmentwide	5	HIPAA Compliance	2,404,000	714,000	3,118,000
Children and Families	3	WISACWIS	2,199,000	0	2,199,000
HCF -- Admin.	4	Food Stamps ¹	2,685,400	376,900	3,062,300
HCF -- Base and Revenue	8	MA Benefits ²	4,262,000	7,681,100	11,943,100
Departmentwide	2	Convert Positions ³	<u>62,200</u>	<u>165,900</u>	<u>228,100</u>
		Total	\$12,011,700	\$9,337,000	\$21,348,700

Amount Available (Uncommitted amounts received thru June 30, 2002) \$12,759,900

Difference (Amount funded with income augmentation revenue received after June 30, 2002) \$8,628,800

1. Includes \$357,800 in 2003-04 and \$376,900 in 2004-05 that would be supported with 2002-03 income augmentation revenues and not the funds that are currently available.

2. Includes \$2,275,000 in 2003-04 and \$5,460,000 in 2004-05 that would be supported with the state share (no more than 50%) of revenues received for MA-eligible administrative costs for services provided to elderly individuals and other adults that received mental health, developmental disabilities, and substance abuse treatment services. See "Departmentwide," Item #15 for more information on this source of revenue.

3. Funded with 2002-03 income augmentation revenues and not the funds that are currently available.

Joint Finance/Legislature: Budget a total of \$6,916,300 FED in 2003-04 and \$1,076,600 FED in 2004-05 in income augmentation funds to support provisions related to HIPAA compliance, WISACWIS, and food stamps. In addition, direct DHFS to lapse \$14,949,900 in 2003-04 and \$9,672,400 in 2004-05 in income augmentation funds to the general fund. In addition, make a number of statutory changes that allow DHFS to use future income augmentation revenues to support specified costs in the 2003-05 biennium, require DHFS to lapse all non-budgeted income augmentation revenues to the general fund during the biennium, and eliminate the current income augmentation plan on July 1, 2005, which would lapse all income augmentation funds that are not budgeted by the Legislature or provided to support operational costs associated with augmenting federal income to the general fund beginning July 1, 2005.

The following table summarizes items in the bill that would be partially supported by income augmentation revenue.

Income Augmentation Funds - Overview Act 33

Section and Item	Change to Governor			Amount of Income Augmentation Funds Budgeted Under Jt. Finance/Legislature		
	2003-04	2004-05	Total	2003-04	2004-05	Total
Adjusted Base	-\$399,100	-\$399,100	-\$798,200	\$0	\$0	\$0
Departmentwide (Item #5)						
HIPAA Compliance	-372,100	0	-372,100	2,031,900	714,000	2,745,900
Children and Families (Item #3)						
WISACWIS	0	0	0	2,199,000	0	2,199,000
HCF - Admin. (Item #4)						
Food Stamps	0	-14,300	-14,300	2,685,400	362,600	3,048,000
HCF - Base and Revenue (Item #8)						
MA Administration	-4,262,000	-7,681,100	-11,943,100	0	0	0
Departmentwide (Item #2)						
Convert Positions	<u>-62,200</u>	<u>-165,900</u>	<u>-228,100</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	-\$5,095,400	-\$8,260,400	-\$13,355,800	\$6,916,300	\$1,076,600	\$7,992,900
Lapse				\$14,949,900	\$9,672,400	\$24,622,300
Amount Available (Uncommitted amounts received thru June 30, 2002)*						\$11,852,700
Difference (Amount funded with income augmentation revenues received after June 30, 2002)						\$8,697,800

*The difference between the amount available under the Governor and the amount available under JFC/Legislature is a result of a s. 13.10 action that used \$907,200 in income augmentation funds, thus reducing the amount available in the 2003-05 biennium.

Veto by Governor [C-28]: Delete provisions that would have: (a) required DHFS to lapse all non-budgeted income augmentation revenues to the general fund during the biennium; and (b) eliminated the income augmentation plan on July 1, 2005.

Health Care Financing -- Base Funding and Revenue

1. OVERVIEW OF MEDICAL ASSISTANCE BENEFITS

Governor: Provide \$443,541,000 (-\$583,234,000 GPR, \$223,237,800 FED, and \$803,537,200 SEG) in 2003-04 and \$580,354,300 (\$342,218,600 GPR, \$303,593,600 FED, and -\$65,457,900 SEG) in 2004-05 to support the estimated costs of providing MA benefits in the 2003-05 biennium.

The funding would support the administration's estimates of the cost to continue the program under current law (the MA base reestimate) and policy changes included in the bill. These amounts include funding to provide services for Family Care enrollees who are eligible for MA, and federal funding budgeted for SeniorCare, but does not include funding to support services for: (a) Family Care enrollees that are not eligible for MA; (b) BadgerCare enrollees; and (c) GPR and PR used to support costs for SeniorCare enrollees.

The bill significantly decreases GPR support for MA benefits in 2003-04 and replaces this funding with SEG revenue from the MA trust fund and the health care provider availability and cost control fund, a fund that would be supported by revenue transferred from the patients compensation fund. This substitution of GPR with SEG funding would occur entirely in 2003-04, the first year of the biennium. Therefore, funding budgeted in 2004-05, which will be used to establish the base for the 2005-07 biennium, would not be affected by these substitutions. The additional SEG revenue available from the MA trust fund to support these substitutions would be available by claiming more federal MA matching funds, which would be used to support the state's share of MA costs.

The following table summarizes total funding for MA benefits that would be provided in the bill.

Total MA Benefits Funding Governor's Recommendations (\$ in Millions)					
<u>Source</u>	<u>2002-03 Base</u>	<u>2003-04</u>		<u>2004-05</u>	
		<u>Change to Base</u>	<u>Total</u>	<u>Change to Base</u>	<u>Total</u>
GPR	\$1,047.7	-\$583.3	\$464.4	\$342.2	\$1,389.9
SEG	<u>297.4</u>	<u>803.5</u>	<u>1,100.9</u>	<u>-65.5</u>	<u>231.9</u>
Subtotal	\$1,345.1	\$220.2	\$1,565.3	\$276.7	\$1,621.8
FED	\$2,209.9	\$223.2	\$2,433.1	\$303.6	\$2,513.5
Total	\$3,555.0	\$443.5	\$3,998.5	\$580.3	\$4,135.3

Joint Finance: Reduce funding in the bill by \$90,829,700 (\$254,560,500 GPR, \$115,391,900 FED and -\$460,782,100 SEG) in 2003-04 and by \$126,185,700 (\$52,198,000 GPR, -\$62,963,400 FED and -\$115,420,300 SEG) in 2004-05 to support MA benefits.

The most significant changes the Joint Finance Committee made to the Governor's bill include: (a) deleting the Governor's recommendation to substitute SEG revenue from the patients compensation fund for GPR to support MA benefits (\$200,000,000 GPR and -\$200,000,000 SEG in 2003-04); (b) substituting federal funds the state will receive under the federal Jobs and Growth Tax Relief Reconciliation Act [P.L. 108-27] for SEG funding the Governor anticipated would be available by creating an intergovernmental transfer program for

community-based long-term care services (-\$151,000,000 SEG and \$151,000,000 FED in 2003-04); (c) deleting funding for items the Governor had recommended to support several long-term care initiatives that would be funded from anticipated federal revenues to the MA trust fund (-\$27,243,300 SEG and -\$30,310,500 FED in 2003-04 and -\$41,137,700 SEG and -\$59,000,000 FED in 2004-05); and (d) deleting the Governor's provision to create an assessment on the gross revenue of health maintenance organizations (HMOs) to increase reimbursement to HMOs (\$13,873,000 GPR and -\$23,630,600 FED and -\$37,465,300 SEG in 2003-04 and \$8,276,500 GPR, -\$27,078,100 FED and -\$39,713,200 SEG in 2004-05).

In addition, the Committee increased MA benefits funding in the bill by \$14,002,200 GPR and \$15,911,700 FED in 2003-04 and \$7,409,400 GPR and \$10,685,400 FED in 2004-05 to reflect a revised estimate of the cost of supporting MA base costs.

Senate/Legislature: Increase funding in the substitute amendment by \$4,109,300 (\$1,708,800 SEG and \$2,400,500 FED) in 2003-04 and by \$9,517,500 (\$3,961,900 SEG and \$5,555,600 FED) in 2004-05 to correctly reflect the costs of funding a 3.2% annual increase in nursing home rates in the 2003-05 biennium.

Veto by Governor [C-8, C-9, C-11, and C-12]: Reduce MA benefits funding by \$18,668,400 (-\$7,763,200 GPR and -\$10,905,200 FED) in 2003-04 and \$17,959,700 (-\$7,473,900 GPR and -\$10,485,800 FED) in 2004-05 to reflect the net effect of the Governor's partial vetoes.

The following table summarizes total funding for MA benefits provided in Act 33.

**MA Benefits Funding
Act 33
(\$ in Millions)**

<u>Source</u>	2002-03 <u>Base</u>	<u>2003-04</u>		<u>2004-05</u>	
		Change to <u>Base</u>	<u>Total</u>	Change to <u>Base</u>	<u>Total</u>
GPR	\$1,047.7	-\$336.5	\$711.2	\$386.9	\$1,434.6
SEG	<u>297.4</u>	<u>344.4</u>	<u>641.8</u>	<u>-176.9</u>	<u>120.5</u>
Subtotal	\$1,345.1	\$7.9	\$1,353.0	\$210.0	\$1,555.1
FED	\$2,209.9	\$330.1	\$2,540.0	\$235.7	\$2,445.6
Total	\$3,555.0	\$338.0	\$3,893.0	\$445.7	\$4,000.7

All of the changes to MA base funding made in Act 33 are summarized in the following table.

Medical Assistance Benefits Funding* **Act 33**

	2003-04				2004-05			
	<u>GPR</u>	<u>FED</u>	<u>SEG</u>	<u>Total</u>	<u>GPR</u>	<u>FED</u>	<u>SEG</u>	<u>Total</u>
Cost-to-Continue								
Base Funding	\$1,047,651,100	\$2,209,891,800	\$297,379,900	\$3,554,922,800	\$1,047,651,100	\$2,209,891,800	\$297,379,900	\$3,554,922,800
MA Base Reestimate	169,892,300	209,089,200	0	378,981,500	320,566,400	277,310,800	-105,358,000	492,519,200
Standard Budget Adjustments	<u>-927,300</u>	<u>0</u>	<u>0</u>	<u>-927,300</u>	<u>-927,300</u>	<u>0</u>	<u>0</u>	<u>-927,300</u>
Subtotal -- Cost-to-Continue	\$1,216,616,100	\$2,418,981,000	\$297,379,900	\$3,932,977,000	\$1,367,290,200	\$2,487,202,600	\$192,021,900	\$4,046,514,700
Program/Policy Changes								
Base Funding and Revenue								
Federal Revenue to Fund Base	-\$435,107,100	\$151,000,000	\$284,107,100	\$0	\$0	\$0	\$0	\$0
Create IGT for Community-Based Waivers	0	0	2,064,500	2,064,500	0	0	1,030,500	1,030,500
Hold Harmless for Counties	0	0	0	0	0	0	17,000,000	17,000,000
IGT Reestimate	-40,513,900	0	40,513,900	0	100,919,000	0	-100,919,000	0
Skilled Nursing Facility at Union Grove	0	0	0	0	191,800	269,000	0	460,800
DVA Nurse Stipend	-43,700	0	0	-43,700	-43,700	0	0	-43,700
Payments, Services, and Eligibility								
Payments to Schools/Local Governments	12,683,400	17,816,600	0	30,500,000	12,696,400	17,803,600	0	30,500,000
Prescription Drug Initiatives	-15,294,600	-21,474,100	0	-36,768,700	-20,052,600	-28,145,700	0	-48,198,300
Prescription Drug Rates	-1,363,000	-1,914,700	0	-3,277,700	-3,927,400	-5,512,800	0	-9,440,200
Graduate Medical Education	-10,890,000	-15,297,300	0	-26,187,300	-7,852,100	-11,036,500	0	-18,888,600
Medicare Crossover Claims	-5,228,500	-7,301,400	0	-12,529,900	-9,018,600	-12,646,400	0	-21,665,000
Oxygen and ESRD Services	-2,514,100	-3,531,500	0	-6,045,600	-2,518,800	-3,537,400	0	-6,056,200
Durable Medical Equipment	-313,300	-440,000	0	-753,300	-1,127,700	-1,583,700	0	-2,711,400
Intensive, In-Home Autism Services	223,100	643,400	0	866,500	340,700	947,000	0	1,287,700
Managed Care for SSI Recipients	-3,396,000	-4,771,900	0	-8,167,900	-11,470,700	-16,110,700	0	-27,581,400
Prior Authorization for Therapies	0	0	0	0	-291,100	-408,900	0	-700,000
Elimination of WisconsinCare Program	-750,000	0	0	-750,000	-750,000	0	0	-750,000
Unemployed Parent Work Rules	260,100	369,000	0	629,100	346,300	492,500	0	838,800
Women Diagnosed With Cancer	8,200	20,100	0	28,300	17,400	42,500	0	59,900
Divestment	-220,700	-310,100	0	-530,800	-221,100	-310,600	0	-531,700
Milwaukee County Medical Program	0	0	0	0	0	3,000,000	0	3,000,000

Medical Assistance Benefits Funding* (continued)

	2003-04			2004-05		
	<u>GPR</u>	<u>FED</u>	<u>SEC</u>	<u>GPR</u>	<u>FED</u>	<u>SEC</u>
Policy Changes (continued)			<u>Total</u>			<u>Total</u>
<u>Nursing Homes</u>						
Rate Increases and Bed Tax	-\$12,124,400	\$31,308,400	\$34,412,200	\$4,005,100	\$44,860,600	\$27,966,200
Nursing Home Supplemental Payments	0	-23,366,000	-16,634,000	0	-23,364,000	-16,636,000
Placements in ICFs-MR and Nursing Homes	0	0	0	446,400	626,900	0
						\$76,831,900
						-40,000,000
						1,073,300
<u>Community-Based Long-Term Care</u>						
Children's Long-Term Care Redesign	0	0	0	341,800	480,000	0
Family Care -- Funding Transfers	10,365,400	0	0	10,365,400	0	0
						821,800
						10,365,400
<u>Other Changes</u>						
Northern Wisconsin Center	-1,353,100	-1,900,700	0	-5,378,200	-7,541,600	0
Auditing for Improper Payments	0	0	0	-170,800	-239,800	0
Hospital Diversion	-100,300	0	0	100,300	0	0
DCTF Food and Variable Non-Food	132,300	186,000	0	217,500	305,200	0
Budget Efficiency	138,500	0	0	138,300	0	0
						138,300
Subtotal -- Program and Policy Changes	-\$505,401,700	\$121,035,800	\$344,463,900	\$67,303,600	-\$41,610,800	-\$71,558,300
						-\$45,865,500
Grand Total -- MA Benefits Funding	\$711,214,400	\$2,540,016,800	\$641,843,800	\$1,434,593,800	\$2,445,591,800	\$120,463,600
						\$4,000,649,200
Change to Base	-\$336,436,700	\$330,125,000	\$344,463,900	\$386,942,700	\$235,700,000	-\$176,916,300
						\$445,726,400

* Does not include funding for BadgerCare or SeniorCare benefits.

2. OVERVIEW OF BADGERCARE BENEFITS FUNDING

Governor: Provide \$37,728,000 (\$6,694,600 GPR, \$23,355,500 FED, \$2,287,500 PR, and \$5,390,400 SEG) in 2003-04 and \$32,966,400 (\$5,505,000 GPR, \$18,201,700 FED, and \$3,617,700 PR, and \$5,642,000 SEG) in 2004-05 to support the estimated costs of providing BadgerCare benefits in the 2003-05 biennium. BadgerCare benefits are funded from federal MA matching funds and federal funding available under the state children's health insurance program (SCHIP), program revenue from premiums paid by families with income above 150% of the federal poverty level (FPL), and segregated funding from the MA trust fund.

The funding in the bill would support the administration's estimates of the cost to continue the program under current law (BadgerCare base reestimate) and policy changes included in the bill.

The bill significantly increases segregated and federal funding budgeted for BadgerCare benefits to increase payments to HMOs that serve BadgerCare recipients. The segregated revenue used to support these payment increases would be funded from a 1% assessment on the gross revenues of HMOs operating in the state. The remaining funding changes reflect modifications to the state's MA program, which have corresponding effects on the BadgerCare program, including modifications to provider reimbursement rates and initiatives to generate savings for prescriptions drugs. The bill would also modify several provisions specific to BadgerCare, including increasing premiums and modifying the eligibility criteria for working families.

Joint Finance/Legislature: Increase BadgerCare benefits funding by \$11,543,800 (\$7,760,100 GPR, \$8,886,000 FED, \$994,800 PR, and -\$6,097,100 SEG) in 2003-04 and \$26,011,600 (\$11,496,600 GPR, \$18,820,500 FED, \$2,043,200 PR and -\$6,348,700 SEG) in 2004-05 to support BadgerCare benefits. The most significant changes the Joint Committee on Finance made to the Governor's bill include: (a) increasing funding to support a reestimate of base costs; and (b) deleting funding that would have been provided to increase payments to HMOs with revenue from an assessment on the state's HMOs.

Veto by Governor [C-11]: Reduce BadgerCare funding by \$195,400 (-\$64,300 GPR and -\$131,100 FED) in 2004-05 to reflect anticipated savings available from a reduction in pharmacy reimbursement rates beginning in 2004-05.

The following table identifies base and total funding budgeted for BadgerCare benefits in each year of the 2003-05 biennium and each of the changes to base funding included in Act 33.

Total BadgerCare Benefits Funding Act 33

	2003-04					2004-05				
	GPR	FED	PR	SEG	Total	GPR	FED	PR	SEG	Total
Base Funding	\$51,399,500	\$102,377,300	\$3,293,400	\$706,700	\$157,776,900	\$51,399,500	\$102,377,300	\$3,293,400	\$706,700	\$157,776,900
Changes to Base Funding										
Base Reestimate	\$16,672,200	\$37,105,700	\$1,752,300	-\$706,700	\$54,823,500	\$22,034,900	\$48,605,300	\$2,249,000	-\$706,700	\$72,182,500
Prescription Drug Initiatives	-507,800	-985,600	0	0	-1,493,400	-659,800	-1,280,900	0	0	-1,940,700
Prescription Drug Rates	-39,400	-80,200	0	0	-119,600	-112,600	-230,400	0	0	-343,000
BadgerCare Eligibility	-491,600	-1,158,400	0	0	-1,650,000	-2,360,900	-5,710,500	0	0	-8,071,400
BadgerCare Premiums	-918,600	-2,271,000	1,530,000	0	-1,659,600	-1,618,000	-3,999,900	3,411,900	0	-2,206,000
Unemployed Parent Rule	-260,100	-369,000	0	0	-629,100	-346,300	-492,500	0	0	-838,800
Net Funding Changes	\$14,454,700	\$32,241,500	\$3,282,300	-\$706,700	\$49,271,800	\$16,937,300	\$36,891,100	\$5,660,900	-\$706,700	\$58,782,600
Total Funding Budgeted in Act 33	\$65,854,200	\$134,618,800	\$6,575,700	\$0	\$207,048,700	\$68,336,800	\$139,268,400	\$8,954,300	\$0	\$216,559,500

3. SENIORCARE BENEFITS OVERVIEW

Governor: Provide \$30,719,600 (-\$16,446,900 GPR, \$32,655,000 FED, and \$14,511,500 PR) in 2003-04 and \$57,461,000 (-\$4,253,100 GPR, \$42,407,100 FED, and \$19,307,000 FED) in 2004-05 to support SeniorCare benefits in the 2003-05 biennium. The program is partially supported with federal MA matching funds available under a waiver of federal MA law that was awarded in July, 2002, and program revenue from rebates paid by companies that manufacture drugs covered under SeniorCare.

SeniorCare is the prescription drug assistance program created in 2001 Wisconsin Act 16. Act 16 provided \$49.9 million GPR in 2002-03 to fund benefits. Because no FED or PR funding was budgeted for the program in the 2002-03, there is no base federal or PR funding for SeniorCare in the 2003-05 biennium. Enrollees first received benefits under the program on September 1, 2002.

Under a current waiver of MA law, federal MA matching funds support approximately 59% of the costs of benefits for individuals enrolled in SeniorCare with income at or below 200% of the federal poverty level (FPL). PR from rebates paid by pharmaceutical manufacturers offset both GPR and federal funding proportionately.

Under SeniorCare, if GPR funding budgeted for the program is completely expended, DHFS is required to continue accepting applications and determining eligibility for program participation and to notify applicants that program benefits are conditioned on the availability of funding. For any period in which funding for the program is completely expended: (a) DHFS is not required to pay pharmacies for any drugs purchased by participants during such a time; (b) pharmacies are not prohibited from charging SeniorCare participants more than the SeniorCare payment rate; and (c) manufacturers, whose drugs are covered under the program, are not required to pay rebates for drugs purchased by participants during such a time.

The funding in the bill would support the administration's estimates of the cost to continue the program under current law (SeniorCare base reestimate) and policy changes included in the bill. In addition to the base reestimate, the bill contains changes to SeniorCare benefits funding based on: (a) savings from initiatives to reduce prescription drug costs under MA, BadgerCare and SeniorCare, including the increased use of prior authorization and supplemental rebates paid by pharmaceutical manufacturers; (b) reductions in the reimbursement rate paid to pharmacies for drugs purchased under SeniorCare; and (c) savings from increasing the deductible paid by SeniorCare enrollees with income greater than 200% of the federal poverty level (FPL).

Costs paid by SeniorCare enrollees as copayments, deductibles or spenddown requirements are paid to the pharmacy, not the state, and therefore are not budgeted as PR. Enrollment fees paid by SeniorCare enrollees are budgeted as PR, since these fees are paid directly to the state. However, this revenue is used to fund a portion of administrative costs for SeniorCare and is not included in the funding described in this item.

Joint Finance/Legislature: Increase funding for SeniorCare benefits by \$14,470,000 (-\$343,500 GPR, -\$1,209,800 FED, and \$16,023,300 PR) in 2003-04 and \$7,610,200 (-\$5,586,800 GPR, -\$5,657,400 FED, and \$18,854,400 PR) in 2004-05 to support SeniorCare benefits.

The most significant changes included in the bill, as approved by the Joint Committee on Finance, reflect costs associated with: (a) reducing funding to support the base reestimate; (b) increasing funding to eliminate most of the reduction in pharmacy reimbursement rates recommended by the Governor; and (c) reducing funding to reflect increasing cost-sharing required of SeniorCare enrollees.

Veto by Governor [C-11]: Reduce SeniorCare funding by \$1,252,800 (-\$735,700 GPR, -\$497,800 FED and -\$19,300 PR) in 2004-05 to reflect anticipated savings from reducing pharmacy reimbursement rates, beginning in 2004-05.

The following table identifies base and total funding budgeted for SeniorCare benefits in each year of the 2003-05 biennium and the changes to base funding for each of the items in Act 33.

**Total SeniorCare Benefits Funding
Act 33**

	2003-04				2004-05			
	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>Total</u>	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>Total</u>
Base Funding	\$49,900,000	\$0	\$0	\$49,900,000	\$49,900,000	\$0	\$0	\$49,900,000
Net Funding Changes								
Base Reestimate	\$1,473,900	\$45,275,300	\$32,765,300	\$79,514,500	\$17,839,400	\$57,911,800	\$41,271,800	\$117,023,000
Prescription Drug Initiatives	-9,535,000	-9,535,000	-793,800	-19,863,800	-15,248,900	-15,248,900	-1,124,400	-31,622,200
SeniorCare Cost-Sharing	-8,327,400	-4,023,200	-1,404,300	-13,754,900	-11,878,600	-5,536,100	-1,946,900	-19,361,600
Prescription Drug Rates	<u>-401,900</u>	<u>-271,900</u>	<u>-32,400</u>	<u>-706,200</u>	<u>-1,287,500</u>	<u>-874,900</u>	<u>-58,400</u>	<u>-2,220,800</u>
Net Funding Changes	-\$16,790,400	\$31,445,200	\$30,534,800	\$45,189,600	-\$10,575,600	\$36,251,900	\$38,142,100	\$63,818,400
Total Funding Budgeted in Act 33	\$33,109,600	\$31,445,200	\$30,534,800	\$95,089,600	\$39,324,400	\$36,251,900	\$38,142,100	\$113,718,400

4. MA BENEFITS -- BASE REESTIMATE [LFB Paper 375]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$469,047,100	\$21,411,600	\$490,458,700
FED	459,802,900	26,597,100	486,400,000
SEG	<u>- 105,358,000</u>	<u>0</u>	<u>- 105,358,000</u>
Total	\$823,492,000	\$48,008,700	\$871,500,700

Governor: Provide \$349,067,600 (\$155,890,100 GPR, and \$193,177,500 FED) in 2003-04 and \$474,424,400 (\$313,157,000 GPR, \$266,625,400 FED, and -\$105,358,000 SEG) in 2004-05 to reflect a reestimate of the costs to continue funding MA benefits in the 2003-05 biennium, based on the current program. The following table identifies base funding for MA benefits and funding changes in SB 44, and the total funding that would be budgeted to support the cost to continue the current program in each year of the 2003-05 biennium under SB 44.

**MA Base Funding and Cost-to-Continue*
Governor's Recommendations
(\$ in Millions)**

	<u>Base Funding</u>	<u>2003-04</u>		<u>2004-05</u>	
		<u>Change to Base</u>	<u>Total</u>	<u>Change to Base</u>	<u>Total</u>
GPR	\$1,047.7	\$155.9	\$1,203.6	\$313.2	\$1,360.9
SEG	<u>297.4</u>	<u>0.0</u>	<u>297.4</u>	<u>-105.4</u>	<u>192.0</u>
Total State Share	\$1,345.1	\$155.9	\$1,501.0	\$207.8	\$1,552.9
FED	<u>\$2,209.9</u>	<u>\$193.2</u>	<u>\$2,403.1</u>	<u>\$266.6</u>	<u>\$2,476.5</u>
Total	\$3,555.0	\$349.1	\$3,904.1	\$474.4	\$4,029.4

*Does not reflect program and policy changes recommended by the Governor.

2002-03 Funding. In fiscal year 2002-03, the state's share of MA benefits costs are projected to be approximately \$1,400.4 million, which will be funded with: (a) funding approved by the Legislature in the 2001-03 session (\$1,047.7 million GPR and \$297.4 million SEG, less \$0.5 million SEG that was transferred from the MA benefits appropriation to the BadgerCare benefits appropriation to fund hospital rate increases authorized in Act 16 and less \$0.5 million GPR in other adjustments); (b) \$1.5 million GPR carried over from the previous fiscal year; and (c) supplemental funding provided in 2003 Wisconsin Act 1 (\$64.4 million SEG and -\$9.6 million GPR)

However, the MA base that is shown in the table reflects the amounts budgeted for MA in 2002-03 before the enactment of Act 1. Therefore, the total funding that would be provided under SB 44 reflects an increase of state funding (GPR and SEG) of approximately \$100.6 million in 2003-04 and \$152.5 million in 2004-05 over projected 2002-03 state (GPR and SEG) costs.

Enrollment. The funding provided under this item is based on the administration's estimates that average monthly enrollment will increase by 9.9% to 511,000 in 2002-03, 3.4% to approximately 528,100 in 2003-04, and 1.5% to approximately 535,800 in 2004-05.

Costs Per Person. The projected cost of serving MA enrollees is based on previously implemented changes in the rates paid to providers, as well as changes in the utilization of MA services. The average cost of services for MA enrollees is estimated to increase most significantly for the elderly group. Under the administration's estimate, the average cost of serving elderly MA enrollees in acute care fee-for-service will increase by 8.9% in 2003-04 and 9.0% in 2004-05. This compares to an average increase of 4.5% annually the administration projects for individuals included in the "other" category.

In addition, funding would be budgeted to increase capitation payments to care management organizations (CMOs) that provide services to individuals enrolled in Family Care by 1.5% annually to account for DHFS enrollment and intensity projections. Currently, five Family Care sites receive capitation payments to support community-based long-term care services for the elderly and disabled individuals. The estimated costs of expanding the full Family Care pilot program to Kenosha County are included in a separate item.

Rate increases for fee-for-service providers and health maintenance organizations are not included in this reestimate.

Joint Finance/Legislature: Increase funding by \$29,913,900 (\$14,002,200 GPR and \$15,911,700 FED) in 2003-04 and by \$18,094,800 (\$7,409,400 GPR and \$10,685,400 FED) in 2004-05 to reflect the projected cost to continue MA benefits in the next biennium, based on current law.

This funding reflects a reestimate of the MA base budget. The difference between the estimate included in the Governor's bill and the reestimate adopted by the Legislature reflects more recent information regarding MA enrollment and utilization of services. In addition, the

reestimate adopted by the Legislature reflects: (a) lower estimates of collections from third parties, which offset MA costs; and (b) different estimates regarding future enrollment.

The following table shows base and total funding that would be budgeted for MA under the reestimate.

MA Base Funding and Cost-to-Continue*
Act 33
(\$ in Millions)

		<u>2003-04</u>		<u>2004-05</u>	
	<u>Funding</u>	<u>Change to Base</u>	<u>Total</u>	<u>Change to Base</u>	<u>Total</u>
GPR	\$1,047.7	\$169.9	\$1,217.6	\$320.6	\$1,538.2
SEG	<u>297.4</u>	<u>0.0</u>	<u>297.4</u>	<u>-105.4</u>	<u>192.0</u>
Subtotal -- State Share	\$1,345.1	\$169.9	\$1,515.0	\$215.2	\$1,730.2
FED	<u>\$2,209.9</u>	<u>\$209.1</u>	<u>\$2,419.0</u>	<u>\$277.3</u>	<u>\$2,696.3</u>
Total Funding	\$3,555.0	\$379.0	\$3,934.0	\$492.5	\$4,426.5

*Does not include program and policy changes adopted in Act 33.

The actual average monthly enrollment, by major eligibility group, in 2001-02 and the projected enrollment for 2002-03, 2003-04, and 2004-05 under the reestimate is shown in the following table.

Actual and Projected Average Monthly Enrollment
By Major Eligibility Group
Act 33

	<u>2001-02</u> <u>Actual</u>	<u>2002-03</u> <u>Estimate</u>	<u>2003-04</u> <u>Estimate</u>	<u>2004-05</u> <u>Estimate</u>
Elderly	43,632	42,867	41,046	40,041
Blind and Disabled	99,164	102,368	106,424	110,623
AFDC-Related	173,442	208,924	226,048	227,453
Other*	<u>148,694</u>	<u>155,155</u>	<u>160,943</u>	<u>163,779</u>
Total	464,932	509,315	534,461	541,896

*Individuals in the "Other" category include children and pregnant women eligible for MA under the Healthy Start criteria and individuals participating in the state's community-based long-term care waiver programs, such as CIP and COP-W.

5. BADGERCARE BASE REESTIMATE [LFB Paper 376]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$23,224,100	\$15,483,000	\$38,707,100
FED	43,154,600	42,556,400	85,711,000
PR	1,745,600	2,255,700	4,001,300
SEG	- 1,413,400	0	- 1,413,400
Total	\$66,710,900	\$60,295,100	\$127,006,000

Governor: Provide \$33,256,600 (\$11,569,900 GPR, \$21,501,100 FED, \$892,300 PR, and -\$706,700 SEG) in 2003-04 and \$33,454,300 (\$11,654,200 GPR, \$21,653,500 FED, \$853,300 PR, and -\$706,700 SEG) in 2004-05 to fund projected costs of BadgerCare benefits in the 2003-05 biennium, based on current law.

Enrollment. Under this item, the Governor estimates that BadgerCare enrollment will increase to approximately 106,200 in June, 2003, and then decrease by an average of 1% per year to approximately 105,650 in June, 2004, and 104,600 in June, 2005.

Costs Per Person. The estimated average costs per person reflect estimates of changes in the use of services by BadgerCare enrollees and provider rate increases implemented in the 2001-03 biennium. Under the Governor's base reestimate, it is assumed that fee-for-service costs per person would increase by 4.2% annually in 2002-03 and 2003-04, but would not increase in 2004-05. The funding that would be provided under this item includes funding to increase capitation payments for health maintenance organizations by 4.2%, beginning in January, 2005. This reestimate does not include funding for rate increases for fee-for-service providers. The Governor's recommended rate increases for fee-for-service providers and capitation payments are summarized under other items.

Premiums. Estimated increases in premium revenue reflect a reestimate of the amount of revenue available from premiums, based on the administration's estimates of projected changes in enrollment.

Segregated Funding. The elimination of segregated funding for BadgerCare reflects the Governor's recommendation to delete all base funding for BadgerCare supported by the MA trust fund.

Joint Finance/Legislature: Increase funding by \$21,566,900 (\$5,102,300 GPR, \$15,604,600 FED, and \$860,000 PR) in 2003-04 and by \$38,728,200 (\$10,380,700 GPR, \$26,951,800 FED, and \$1,395,700 PR) in 2004-05 to reflect the projected cost to continue BadgerCare benefits in the next biennium, based on current law.

The primary difference between the estimate included in the Governor's bill and the reestimate included in Act 33 reflects different estimates regarding future enrollment. Under the base reestimate included in Act 33, it is projected that the BadgerCare enrollment will total approximately 125,800 by the end of the 2003-05 biennium, compared with approximately

104,600 projected by the administration. As of July, 2003, BadgerCare enrollment totaled approximately 109,900.

The following table identifies funding that would be provided in Act 33 to fund BadgerCare costs in the 2003-05 biennium, based on current program requirements.

**BadgerCare Base Funding and Cost-to-Continue*
Act 33**

		<u>2003-04</u>		<u>2004-05</u>	
	<u>Base Funding</u>	<u>Change to Base</u>	<u>Total</u>	<u>Change to Base</u>	<u>Total</u>
GPR	\$51,399,500	\$16,672,200	\$68,071,700	\$22,034,900	\$73,434,400
FED	102,377,300	37,105,700	139,483,000	48,605,300	150,982,600
PR	3,293,400	1,752,300	5,045,700	2,249,000	5,542,400
SEG	<u>706,700</u>	<u>-706,700</u>	<u>0</u>	<u>-706,700</u>	<u>0</u>
Total	\$157,776,900	\$54,823,500	\$212,600,400	\$72,182,500	\$229,959,400

*Does not include program and policy changes adopted in Act 33.

6. SENIORCARE BASE REESTIMATE [LFB Paper 377]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$24,329,700	- \$5,016,400	\$19,313,300
FED	99,989,100	3,198,000	103,187,100
PR	<u>49,196,800</u>	<u>24,840,300</u>	<u>74,037,100</u>
Total	\$173,515,600	\$23,021,900	\$196,537,500

Governor: Provide \$65,025,700 (\$1,901,500 GPR, \$42,437,600 FED, and \$20,686,600 PR) in 2003-04 and \$108,489,900 (\$22,428,200 GPR, \$57,551,500 FED, and \$28,510,200 PR) in 2004-05 to reflect a reestimate of the costs to continue funding SeniorCare benefits in the 2003-05 biennium, based on the current program.

The funding provided under this item reflects the administration's projections that enrollment in SeniorCare will total approximately 93,900 by July 1, 2003, and that enrollment will grow by 18% in 2003-04 and 9% in 2004-05. As of the end of July, 2003, approximately 91,700 individuals were enrolled in SeniorCare.

Joint Finance/Legislature: Increase funding by \$14,488,800 (-\$427,600 GPR, \$2,837,700 FED, and \$12,078,700 PR) in 2003-04 and by \$8,533,100 (-\$4,588,800 GPR, \$360,300 FED, and \$12,761,600 PR) in 2004-05 to reflect the projected cost to continue SeniorCare benefits, based on current law. In addition, create a separate federal SeniorCare benefits appropriation and transfer federal funding budgeted for SeniorCare from the MA benefits appropriation to the new SeniorCare appropriation.

The following table identifies funding that would be provided in Act 33 to fund SeniorCare costs in the 2003-05 biennium, based on current program requirements.

**SeniorCare Base Funding and Cost-to-Continue*
Act 33**

		<u>2003-04</u>		<u>2004-05</u>	
	<u>Base Funding</u>	<u>Change to Base</u>	<u>Total</u>	<u>Change to Base</u>	<u>Total</u>
GPR	\$49,900,000	\$1,473,900	\$51,373,900	\$17,839,400	\$67,739,400
FED	0	45,275,300	45,275,300	57,911,800	57,911,800
PR	<u>0</u>	<u>32,765,300</u>	<u>32,765,300</u>	<u>41,271,800</u>	<u>41,271,800</u>
Total	\$49,900,000	\$79,514,500	\$129,414,500	\$117,023,000	\$166,923,000

*Does not include program and policy changes adopted in Act 33.

[Act 33 Sections: 463d, 1447g, and 1447h]

7. PATIENTS COMPENSATION FUND TRANSFER TO FUND MA BASE COSTS [LFB Paper 458]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$200,000,000	\$200,000,000	\$0
SEG	<u>200,000,000</u>	<u>- 200,000,000</u>	<u>0</u>
Total	\$0	\$0	\$0

Governor: Reduce funding for MA benefits by \$200 million GPR in 2003-04 and provide \$200 million SEG from the health care provider availability and cost control fund, which would be created in the bill, to support MA benefits in 2003-04. The bill would transfer \$200 million SEG in 2003-04 from the patients compensation fund to this new fund in DHFS. For additional information on this item, see "Insurance."

Joint Finance/Legislature: Delete provision.

8. INCOME AUGMENTATION REVENUE TO FUND MA BASE COSTS [LFB Paper 365]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR-REV	\$0	\$11,943,100	\$11,943,100
GPR	- \$11,943,100	\$11,943,100	\$0
FED	<u>28,717,500</u>	<u>- 28,717,500</u>	<u>0</u>
Total	\$16,774,400	- \$16,774,400	\$0

Governor: Reduce MA benefits funding by \$4,262,000 GPR in 2003-04 and by \$7,681,100 GPR in 2004-05 and increase FED funding supported by income augmentation revenue by corresponding amounts to offset this reduction in GPR support for MA benefits. Increase estimates of federal matching funds to support MA benefits by \$5,986,900 FED in 2003-04 and by \$10,787,500 FED in 2004-05. Income augmentation revenues are unanticipated federal funds DHFS receives as reimbursement for costs that were initially paid by state or local revenue that would not otherwise have been available had it not been for activities conducted to augment federal income.

Joint Finance/Legislature: Delete provision. In addition, require DHFS to lapse \$6,483,100 FED in 2003-04 and \$5,460,000 FED in 2004-05 in income augmentation funds to the general fund.

[Act 33 Section: 9224(2c)]

9. MA TRUST FUND (IGT REVENUES) -- OVERVIEW [LFB Paper 379]

Governor: 2001 Wisconsin Act 16 (the 2001-03 biennial budget act) established a medical assistance (MA) trust fund. Currently, revenue to the trust fund is derived from federal MA matching funds the state receives under the nursing home intergovernmental transfer (IGT) program. This revenue is deposited to the MA trust fund and designated as SEG funds. These funds are used, along with general purpose revenues (GPR), to secure matching federal dollars for the state's MA and related programs in the Department of Health and Family Services.

The administration projects that the July 1, 2003, opening balance of the MA trust fund will be \$322.7 million. Under the Governor's 2003-05 recommendations, additional IGT revenues totaling \$790.6 million (\$629.6 million in 2003-04 and \$161.0 million in 2004-05) are anticipated. Thus, total revenues in the MA trust fund are shown as \$1,113.3 million (the opening balance plus 2003-05 amounts).

Under the current nursing home IGT program, the state determines the difference between actual MA payments the state makes to nursing homes and the amount the state could reimburse nursing homes, based on Medicare payment principles (the Medicare "upper limit") and transfers this amount from county-operated facilities to the state via a wire transfer. Counties return this amount to the state on the same day. Since the transfer is considered an

MA-eligible payment to facilities, the state claims federal MA matching funds based on the amount of the wire transfer and deposits this revenue to the MA trust fund.

Under the bill, additional revenues to the trust fund would be generated from three new sources, which would involve: (a) payments for services provided under the MA home- and community-based waiver programs; (b) payments for noninstitutional services provided by local governments; and (c) assessments paid by nursing homes, intermediate care facilities for the mentally retarded, and HMOs. These initiatives are described under separate items.

The Governor also proposes to fund several items, which are described separately, using IGT revenues, including: (a) increasing per diem reimbursement rates and available slots under the MA home- and community-based waiver programs; (b) reducing institutional care; (c) expanding the Family Care pilot program to Kenosha County; (d) increasing MA provider rates; (e) maintaining MA base funding, including costs to continue current services to support MA; (f) increasing funding for the community support program; and (g) holding counties and local health departments harmless from the elimination of community services deficit reduction benefits (CSDRB).

The following table identifies MA trust fund revenues, expenditures and balances for the 2003-04 and 2004-05 fiscal years and the administration's current projections of the funds revenues and balances, based on the Governor's recommendations.

MA Trust Fund
Estimated Revenues, Expenditures, and Balances
Governor's Recommendations

	<u>2003-04</u>	<u>2004-05</u>
Opening Balance	\$322,728,400	\$69,016,500
Revenues		
Current Nursing Home Claiming	\$35,756,100	\$31,355,300
IGT Claims for Community-Based Services	434,000,000	0
Non-Institutional Services IGT Claims	71,600,000	47,400,000
HMO Provider Assessment	37,465,300	39,713,200
Nursing Home Bed Assessment	45,837,700	41,599,000
Interest Earnings	5,008,000	1,068,200
Cost of Wire Transfers	<u>-115,000</u>	<u>-115,000</u>
Revenue Total	\$629,552,100	\$161,020,700
Total Available Revenue	\$952,280,500	\$230,037,200
Expenditures		
Base Funding	\$298,086,600	\$298,086,600
MA Base Reestimate	0	-105,358,000
BadgerCare Base Reestimate	-706,700	-706,700
MA Base Funded with Additional Federal Reserves	435,107,100	0
Administrative Costs for New IGT Programs	8,574,500	1,030,500
Hold Harmless for Counties (CSDRB)	14,500,000	14,500,000
Trust Fund Reestimates	40,513,900	-83,115,400
Payments to School Districts, Municipalities	17,816,600	0
HMO Assessment, Payments and Rate Increase	37,465,300	39,713,200
Non-Institutional Provider Rates	3,047,000	3,218,500
Nursing Home Rate Increase	51,771,300	49,832,500
Reduce Nursing Home Supplemental Payments	-16,634,000	-16,636,000
Labor Region Adjustment	-213,700	-213,700
Reduce Nursing Home Use for Long-Term Care	722,400	1,455,500
CIP IB, CIP II and COP -W Slots	16,963,900	34,910,000
Community Support Program	0	872,600
Family Care Expansion	<u>0</u>	<u>681,100</u>
Expenditure Subtotal	\$907,014,200	\$238,270,700
Correct Amount Budgeted for NH Rate Increase	-\$5,933,600	-\$8,233,500
Correct Amount Budgeted for Municipal Services	-\$17,816,600	\$0
Corrected Expenditure Total	\$883,264,000	\$230,037,200
Estimated Closing Balance	\$69,016,500	\$0

Joint Finance: Reduce estimated revenue to the trust fund by \$282,981,800 in 2003-04 and by \$73,682,700 in 2004-05 to reflect: (a) enhanced federal MA matching funds that will be available to the state under P.L. 108-27, the federal Jobs and Growth Tax Relief Reconciliation Act of 2003 (-\$151,000,000 in 2003-04); (b) reduced revenue needed so that the projected 2004-05

closing balance of the trust fund is \$0 (-\$60,070,900 in 2003-04); (c) elimination of the proposed HMO assessment (-\$37,465,300 in 2003-04 and -\$39,713,200 in 2004-05); (d) reestimates of revenue from the IGT program for municipal services (-\$17,816,600 in 2003-04 and -\$17,803,600 in 2004-05); and (e) reduced revenue from the nursing home bed assessment (-\$16,629,000 in 2003-04 and -\$16,165,900 in 2004-05).

Reduce funding budgeted from the MA trust fund by \$266,879,200 SEG in 2003-04 and by \$121,769,000 SEG in 2004-05 to reflect: (a) funding a portion of the MA base with FED revenue available to the state under P.L. 108-27, rather than from the MA trust fund (-\$151,000,000 in 2003-04); (b) eliminating increased payments to HMOs (-\$37,465,300 in 2003-04 and -\$39,713,200 in 2004-05); (c) reducing funding for nursing homes (-\$19,067,700 in 2003-04 and -\$25,823,200 in 2004-05); (d) eliminating funding for CIP IB, CIP II and COP-W (-\$16,963,900 in 2003-04 and -\$34,910,000 in 2004-05); (e) reestimating of payments to school districts (-\$17,816,600 in 2003-04); (f) reestimating of payments to counties under the CSDRB program (-\$14,500,000 in 2003-04 and \$2,500,000 in 2004-05); (g) eliminating funding for administrative costs of IGT activities (-\$6,510,000 in 2003-04); (h) eliminating rate increases for certain noninstitutional providers (-\$3,047,000 in 2003-04 and -\$3,218,500 in 2004-05); (i) eliminating funding for an initiative to reduce nursing home use (-\$722,400 in 2003-04 and -\$1,455,500 in 2004-05); (j) eliminating the funding increase for the community support program (-\$872,600 SEG in 2004-05); (k) eliminating the funding increase for the Family Care expansion to Kenosha County (-\$681,100 in 2004-05); (l) restoring funding for nursing home labor region adjustments (\$213,700 in 2003-04 and 2004-05); and (m) reducing trust fund revenues needed to support the MA base (-\$17,803,600 in 2004-05).

Legislature: Modify the Joint Finance provisions to reflect: (a) reestimates of revenue from the nursing home bed assessment (\$4,784,500 in 2003-04 and \$6,863,700 in 2004-05); and (b) reestimates of revenue from current nursing home IGT claiming (\$2,105,100 in 2003-04 and \$1,839,900 in 2004-05); and (c) the costs of funding the nursing home rate increase (\$1,708,800 SEG in 2003-04 and \$3,961,900 SEG in 2004-05).

In addition, reduce revenue needed so that the projected 2004-05 closing balance of the trust fund is \$0 (\$9,922,500 in 2003-04). The following table identifies projected MA trust funds revenues, expenditures, and balances for the 2003-04 and 2004-05 fiscal years under Act 33.

MA Trust Fund
Estimated Revenues, Expenditures, and Balances
Act 33

	<u>2003-04</u>	<u>2004-05</u>
Opening Balance	\$322,728,400	\$24,422,000
Revenues		
Governor's Estimates of Revenue from IGT Claims for		
Community-Based Services	\$434,000,000	\$0
Less Estimated Amount Available under P.L. 108-27		
(Budgeted as FED)	-151,000,000	0
Less Estimated Revenue Needed to Fund Budgeted		
Benefit Costs	<u>-69,993,400</u>	<u>0</u>
Remaining Federal Revenue the State Needs to Receive		
to Fund Budgeted Benefit Costs	\$213,006,600	\$0
Current Nursing Home Claiming	\$37,861,200	\$33,195,200
Non-Institutional Services IGT Claims	53,783,400	29,596,400
Nursing Home Bed Assessment	33,993,200	32,296,800
Interest Earnings	5,008,000	1,068,200
Cost of Wire Transfers	<u>-115,000</u>	<u>-115,000</u>
Revenue Total	\$343,537,400	\$96,041,600
Total Available Revenue	\$666,265,800	\$120,463,600
Expenditures		
Base Funding	\$298,086,600	\$298,086,600
MA Base Reestimate	0	-105,358,000
BadgerCare Base Reestimate	-706,700	-706,700
MA Base Funded with Additional Federal Revenues	284,107,100	0
Administrative Costs for New IGT Programs	2,064,500	1,030,500
Hold Harmless for Counties (CSDRB)	0	17,000,000
Trust Fund Reestimate	40,513,900	-100,919,000
Nursing Home Rate Increase	34,412,400	27,966,200
Reduce Nursing Home Supplemental Payments	<u>-16,634,000</u>	<u>-16,636,000</u>
Expenditures Total	\$641,843,800	\$120,463,600
Estimated Closing Balance	\$24,422,000	\$0

The funding provided in Act 33 is based on the assumption that the state will receive \$283.0 million in federal MA funds in 2003-04, in addition to the federal matching funds the state will receive to support MA benefits under P.L. 108-27, the federal Jobs and Growth Tax Relief Reconciliation Act of 2003. Under this legislation, the state will receive a one-time increase in its federal MA matching rate through September 30, 2004. This federal legislation will increase federal funds expended for MA benefits, but will not be deposited to the MA trust fund. In addition, estimated SEG revenue to the trust fund is reduced by \$69,993,400 in 2003-04

so that the projected closing balance of the trust fund is \$0. As a result, the remaining federal revenue the state needs to fund MA benefit costs is approximately \$213.0 million.

10. FEDERAL REVENUE TO FUND MA BASE COSTS [LFB Paper 379]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	- \$435,107,100	\$0	- \$435,107,100
FED	0	151,000,000	151,000,000
SEG	<u>435,107,100</u>	<u>- 151,000,000</u>	<u>284,107,100</u>
Total	\$0	\$0	\$0

Governor: Reduce GPR funding for MA benefits by \$435,107,100 in 2003-04 and increase SEG funding for MA benefits by a corresponding amount. SEG funding would be available from the MA trust fund from revenue that would be available under the Governor's recommendations to increase intergovernmental transfer (IGT) revenue paid by local units of government for community-based waivers and noninstitutional services, which are summarized as Items #11 and #12.

Joint Finance/Legislature: Increase federal funding budgeted for MA benefits by \$151 million in 2003-04 to reflect the estimated revenue available under the federal Jobs and Growth Tax Relief Reconciliation Act [P.L. 108-27], which was signed into law May 28, 2003, to increase federal matching funds for state MA programs. Decrease SEG funding by a corresponding amount.

In addition, require DOA to submit a report to the Joint Committee on Finance by December 1, 2003, that: (a) compares the amount of funding budgeted for MA benefits under the biennial budget act with projected MA expenditures in the 2003-05 biennium; (b) identifies all federal funding that is available to support MA benefits in the 2003-05 biennium, including any supplemental funding the state may receive as a result of federal legislation, approval of federal waivers or the creation or expansion of intergovernmental transfer programs; and (c) includes proposals and recommendations, including proposed statutory changes, to reduce MA benefits costs if projected expenditures exceed projected revenue.

Veto by Governor [C-7]: Delete the provision that would have required DOA to submit a report to the Joint Committee on Finance.

[Act 33 Vetoed Sections: 9124(10f)&(11f)]

11. CREATE IGT FOR COMMUNITY-BASED LONG-TERM CARE SERVICES

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
SEG-REV	\$434,000,000	- \$151,000,000	\$283,000,000
SEG	\$9,605,000	- \$6,510,000	\$3,095,000
FED	5,000	0	5,000
Total	\$9,610,000	- \$6,510,000	\$3,100,000

Governor: Increase estimates of revenue to the MA trust fund by \$434,000,000 in 2003-04 by changing the state's method of claiming federal MA matching funds for the costs of services provided to individuals who participate in home- and community-based waiver programs.

In addition, provide \$8,574,500 SEG and \$2,500 FED in 2003-04 and \$1,030,500 SEG and \$2,500 FED in 2004-05 to support additional administrative costs of implementing this proposal, including funding to support contingency fees for a consultant.

Statutory Changes

Create a sum sufficient appropriation from the MA trust fund that would authorize DHFS to reimburse counties for moneys counties transfer to the state to support MA nursing home payments, which is used as the nonfederal share of MA payments. Prohibit DHFS from making a payment to a county from this appropriation that exceeds the amount transferred by the county to the MA trust fund.

Create a program revenue (PR) appropriation in DHFS, funded from payments counties would be required to make to DHFS, and authorize DHFS to make MA payments to counties from this appropriation to support services provided to individuals with developmental disabilities under the community integration program (CIP IA and CIP IB, including the brain injury waiver program). Require a county board, on demand by DHFS, to authorize payments to DHFS that do not exceed any supplemental payment DHFS makes to a county from the new PR appropriation for services the county provided under these programs beginning in 2001.

Modify current provisions relating to revenue deposited to the MA trust fund through the intergovernmental transfer (IGT) program to include revenue DHFS receives relating to all MA-eligible services, rather than MA-eligible nursing home services, exclusively.

Finally, create a sum sufficient PR appropriation in DHFS for payments to counties related to the state's existing IGT program for nursing homes. Specify that payments to counties from this appropriation cannot exceed the amount paid by the county to the MA trust fund.

Description of the Proposal

Currently, counties and providers under contract with counties provide community-based long-term care services under the community integration program. The state makes per diem payments to counties, which vary, depending on the service needs of individual clients. In

addition, counties provide local funding for services provided under these programs. The state currently claims federal matching funds on state and local expenditures for these programs. The total waiver payments for clients are based on the actual costs of services they receive.

Under the proposal, DHFS would replace the current payment system with a prospective payment rate for clients for waiver services provided beginning January 1, 2001. DHFS would pay counties significantly more than they currently receive, based on the actual service costs. DHFS would establish prospective payment rates for each county and make an additional state supplemental per diem payment that is not based on cost reconciliation, but rather on a higher payment for waiver services. The prospective rate would be based on the projected cost of serving most CIP clients in institutions, which is where they would be served in the absence of these community-based long-term care programs.

Using state funding, the state would make a final supplemental MA payment to counties which, when added to interim payments of state and local expenditures under the current methodology, would convert CIP funding to a prospective payment rate. Actual state and local expenditures in 2000 would provide the base per diem payment by county, which reflects the acuity and resources needed to care for current CIP clients in the community. The base rate would be trended forward for inflation, with adjustments for additional, high-cost relocations from nursing homes and intermediate care facilities for the mentally retarded (ICFs-MR), for additional waiver clients serviced by counties, and for a supplemental incentive per diem.

Counties would be required to make an intergovernmental transfer of funds to the state that equaled the increased supplemental MA per diem payment. The state would then claim federal MA matching funds on the supplemental payment, which would be deposited to the MA trust fund.

Joint Finance/Legislature: Modify the Governor's recommendation by reducing estimated revenue to the MA trust fund by \$151,000,000 in 2003-04 to reflect funding available under the federal Jobs and Growth Tax Relief Reconciliation Act of 2003 [P.L. 108-27], which will not be deposited to the MA trust fund, but is budgeted as FED. Decrease funding to support additional administrative costs of implementing this proposal by \$6,510,000 SEG in 2003-04. However, specify that if, before July 1, 2005, sufficient federal MA funds are available to support these administrative costs at the funding level recommended by the Governor, DHFS would be required to report this to the Legislature and include any proposed legislation to implement these administrative costs.

Veto by Governor [C-7]: Delete the requirement that DHFS report to the Legislature if sufficient federal MA funds are available to support items at the funding level recommended by the Governor.

[Act 33 Sections: 459, 468, 864, 865, 1113, 1114, and 1526]

[Act 33 Vetoed Section: 9124(11f)]

12. CREATE IGT FOR NONINSTITUTIONAL SERVICES PROVIDED BY COUNTIES
[LFB Papers 378, 379, and 385]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
SEG-REV	\$119,000,000	- \$35,620,200	\$83,379,800

Governor: Increase estimated revenue to the MA trust fund by \$71,600,000 in 2003-04 and \$47,400,000 in 2004-05 to reflect the creation of an intergovernmental transfer (IGT) program between the state and counties for noninstitutional services provided by counties.

Statutory Changes

Create a PR appropriation in the Division of Health Care Financing to fund supplemental payments for the state's share of MA benefits provided by local units of government, including: (a) supplemental payments for school-based services; (b) physician services; (c) HealthCheck services; (d) home health services; (e) laboratory and x-ray services; (f) ambulance services; (g) therapy services; (h) durable medical equipment; (i) mental health and substance abuse day treatment services; (j) personal care services; (k) community support program services; (l) respiratory care services; (m) case management services; (n) prenatal care coordination and child care coordination services; and (o) case management services for children with lead poisoning and high-cost MA recipients. Specify that, on dates to be determined by the Secretary of the Department of Administration, any funds in the appropriation that are in excess of the payments made for these supplemental payments are transferred to the MA trust fund. Modify current provisions regarding the MA trust fund to specify that the trust fund includes funds transferred to it from the new PR appropriation.

Require county boards, upon demand from DHFS, to authorize payment to DHFS not to exceed the amounts paid to the county, beginning in 2003, for rate increases for the MA benefits specified above that relate to substance abuse and mental health prevention and treatment (except this requirement would not apply to school-based services and ambulance services).

Description of the Proposal

In order to implement these provisions, effective January 1, 2003, DHFS would amend its state plan to show that MA payment rates for MA-covered services provided by counties are increased to reflect more closely the estimated cost to provide these services. These service categories include personal care, home health, outpatient and day treatment for mental health and substance abuse, case management, community support program services, mental health crisis intervention and prenatal care coordination. On average, the rates for these services would be increased by approximately 50%.

Based on the rate increases included in the state plan amendment, DHFS would provide supplemental payments to counties equal to the total value of those rate increases. The state's share of payments would be paid from the new, DHFS PR appropriation. The federal share of payments would be paid from the federal MA benefits appropriation. Counties would be

statutorily required to return both the state and federal of these payments to DHFS through an intergovernmental transfer (IGT). This IGT revenue (including both the state and federal share of the payment) would be deposited back to the new, PR appropriation. The state's share of the returned payment would be retained in the new, PR appropriation as revenue to support the original payment made to the county. The federal share of the payment returned by the counties would be transferred from this PR appropriation to the MA trust to fund the state's share of MA benefit costs.

Under this provision, counties would not retain the funding for the rate increases included in the MA state plan amendment. Rather, this funding would be returned to the state as IGT revenue and the federal share of this funding would be transferred to the MA trust fund to be used to fund the state's share of MA costs.

The administration's estimate of additional annual revenue that would be available under this proposal is approximately \$24.2 million greater in 2003-04 than in 2004-05. The administration indicates that the revenue available in the first year would be greater because it would be available for payments made over an 18-month period (from January, 2003, through June, 2004), compared with a 12-month period included in the 2004-05 revenue estimates.

Joint Finance/Legislature: Decrease estimated revenue to the trust fund by \$17,816,600 in 2003-04 and \$17,803,600 in 2004-05 to reflect that estimated federal revenue available to make supplemental payments to school districts for school-based services and to municipalities for emergency transportation services would not be deposited to the MA trust fund, as assumed by the Governor. In addition, delete references to emergency transportation services and school-based services in the PR appropriation that would be created under this item, since the federal revenue for these services would not be returned to the state.

[Act 33 Sections: 459, 868, and 1526]

13. **HOLD HARMLESS FOR COUNTIES (ELIMINATION OF COMMUNITY SERVICES DEFICIT REDUCTION BENEFIT (CSDRB))** [LFB Paper 378]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
SEG	\$29,000,000	- \$12,000,000	\$17,000,000

Governor: Provide \$14.5 million annually to fund payments to counties that would offset the elimination of CSDRB payments under MA. Specify that, if the proposal to increase federal MA matching funds through the use of IGT revenue for services provided by local governments is approved by the Centers for Medicare and Medicaid Services before July 1, 2005, then counties and local health departments would be prohibited from claiming federal revenue available under the CSDRB program. Provide that, if any county or health department has received a CSDRB distribution for any year after 2002, that county or health department, upon demand by DHFS, would be required to return to DHFS the amount of those distributions.

Under CSDRB, counties and local health departments can claim federal MA matching funds to cover costs for services provided under MA, for which MA reimbursement does not cover the full cost of providing those services. The administration estimates that CSDRB payments would total \$14.5 million FED annually in the next biennium. However, if the Governor's recommendation to increase federal MA claiming through a local government IGT mechanism were approved, the state would no longer be able to claim federal matching funds for CSDRB. Therefore, under this provision, SEG funding from the MA trust fund would be budgeted to provide payments to municipalities to hold them harmless from the elimination of CSDRB.

Joint Finance/Legislature: Modify the bill to: (a) reduce funding by \$14,500,000 in 2003-04 to reflect that the state would continue to claim federal MA matching funds under CSDRB in 2003-04 and therefore \$14,500,000 budgeted in SB 44 would not be needed to hold counties harmless; (b) provide an additional \$2,500,000 in 2004-05 to increase funding for CSDRB-related expenditures incurred in calendar years 2002 and 2003; and (c) delete references to calendar year 2002 CSDRB payments to instead specify that payments would be based on a plan developed by DHFS. Further, payments would be limited to the amounts budgeted for such payments.

[Act 33 Sections: 466, 1360 thru 1362, and 9124(8)]

14. TRUST FUND REESTIMATES [LFB Paper 379]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Legislature (Chg. to JFC)	Net Change
SEG-REV	\$0	-\$60,070,900	-\$9,922,500	-\$69,993,400
GPR	\$42,601,500	\$17,803,600	\$0	\$60,405,100
SEG	<u>- 42,601,500</u>	<u>- 17,803,600</u>	<u>0</u>	<u>- 60,405,100</u>
Total	\$0	\$0	\$0	\$0

Governor: Reduce MA benefits funding by \$40,513,900 GPR and increase MA SEG benefits funding by a corresponding amount in 2003-04 and increase MA benefits funding by \$83,115,400 GPR and reduce MA SEG benefits funding by a corresponding amount in 2004-05. This item would transfer MA base program costs between GPR and SEG to reflect revised estimates of the amount of segregated funding that will be available in the MA trust fund to partially support the MA program in the 2003-05 biennium. The administration included these funding transfers so that the projected closing balance of the MA trust fund in 2004-05 would be \$0.

Joint Finance: Increase MA benefits funding by \$17,803,600 GPR in 2004-05 and decrease SEG benefits funding by a corresponding amount to reflect a reestimate of revenue available to support MA benefits funding. In addition, reduce estimated revenue to the MA trust fund by \$60,070,900 in 2003-04 so that the projected closing balance in the MA trust fund in 2004-05 would be \$0.

Senate/Legislature: Based on reestimates of revenue from the nursing home bed assessment, reduce estimated revenue to the MA trust fund by \$9,922,500 in 2003-04 so that the projected balance in the MA trust fund in 2004-05 would be \$0.

15. SOUTHERN VETERANS HOME -- MA BENEFITS FUNDING

Joint Finance/Legislature: Provide \$191,800 GPR and \$269,000 FED in 2004-05 to support projected increases in medical assistance benefits costs relating to the operations of a new 120-bed skilled nursing facility at the Wisconsin Veterans Home at Union Grove. A description of this item is summarized under "Veterans Affairs--Homes and Facilities for Veterans."

GPR	\$191,800
FED	<u>269,000</u>
Total	\$460,800

16. NURSE EDUCATION STIPEND PROGRAM [LFB Paper 815]

Joint Finance/Legislature: Provide \$43,700 SEG annually from the veterans trust fund and delete \$43,700 GPR annually to support the state share of the medical assistance costs of providing stipends for the nurse education stipend program administered by the Department of Veterans Affairs. For additional information on the nurse education stipend program, see "Veterans Affairs -- Homes and Facilities for Veterans."

GPR	- \$87,400
SEG	<u>87,400</u>
Total	\$0

Health Care Financing -- Payments, Services, and Eligibility

1. MA PAYMENTS -- SCHOOL DISTRICTS AND LOCAL UNITS OF GOVERNMENT (SUPPLEMENTAL PAYMENTS) [LFB Papers 379 and 385]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR-Lapse	\$41,000,000	\$0	\$41,000,000
GPR	\$43,183,400	- \$17,803,600	\$25,379,800
FED	35,620,200	0	35,620,200
SEG	<u>17,816,600</u>	<u>- 17,816,600</u>	<u>0</u>
Total	\$96,620,200	- \$35,620,200	\$61,000,000

Governor: Provide \$48,316,600 (\$12,683,400 GPR, \$17,816,600 FED, and \$17,816,600 SEG) in 2003-04 and \$48,303,600 (\$30,500,000 GPR and \$17,803,600 FED) in 2004-05 to fund medical assistance (MA) benefits and to make supplemental payments to school districts and local units of government for MA services provided by these entities. Reflect \$20.5 million as the amount of GPR the Department of Public Instruction (DPI) would lapse annually from its appropriation for special education and school age parents programs under this provision.

Payments to School Districts and Cooperative Educational Service Agencies. Modify current law regarding MA school medical services to authorize DHFS to make supplemental payments to school districts or cooperative educational service agencies (CESAs) for school medical services that would be in addition to the current payments made to school districts and CESAs for these services. Specify that these supplemental payments cannot exceed the applicable limits under federal law that provider payments are consistent with efficiency, economy, and quality and are sufficient to enlist enough providers to participate in MA. Additionally, specify that the funds distributed for aids for special education and school age parent programs would be reduced by the amount of the supplemental MA payments for school medical providers. Require DPI, on dates determined by the DOA Secretary, to lapse from its appropriation for aids for special education and school age parents programs, an amount equal to the amount of supplemental MA payments for school medical services that would be paid under this provision. Finally, make corresponding references changes to MA provisions regarding school medical services to reflect this provision.

The administration indicates that these supplemental payments would total \$20.5 million (approximately \$8.5 million GPR and approximately \$12.0 million FED) annually. Therefore, under this provision, DPI would lapse \$20.5 million from its special education appropriation to reflect the availability of the same amount of MA payments to school districts and CESAs.

The administration indicates that this provision would not affect payments to school districts for special education because the DPI appropriation would not be reduced to reflect the availability of MA payments for school medical services, but rather, DPI would be required to lapse the amount of funding equivalent to the MA payments. This item is also briefly summarized as Item #6 under Public Instruction -- Categorical Aids.

Payments to Municipalities. The administration indicates that, of the amounts budgeted under this provision, supplemental payments to municipalities and counties would total \$10 million (approximately \$4.1 million GPR and approximately \$5.9 million FED) annually. These increased payments would be based on increased maximum reimbursement rates available to local government providers of ambulance services only. Private providers of such services would not be eligible for the increased reimbursement rates. The bill does not include any statutory provisions regarding these payments. Under a corresponding item summarized as Item #1 under Shared Revenue and Tax Relief -- Direct Aid Payments, the shared revenue appropriation would be decreased by \$10 million annually to reflect the availability of the supplemental MA payments for ambulance services provided by local governments.

In total, this provision reduces funding for special education aids and shared revenue by \$30.5 million GPR annually. However, these reductions would be offset by supplemental MA payments totaling approximately \$30.5 million (approximately \$12.6 million GPR and approximately \$17.9 million FED) annually that would be made to schools districts and local government providers of ambulance services.

The additional federal funds that would be claimed under this provision are budgeted in the MA FED appropriation. However, in 2003-04, the bill incorrectly increases the MA trust fund SEG appropriation by \$17,816,600.

Joint Finance/Legislature: Modify the Governor's recommendations by deleting \$17,816,600 SEG in 2003-04 to reflect that federal revenue available for supplemental MA payments would be paid to school districts and municipalities from a federal benefits appropriation and therefore, would not be available for deposit to the trust fund. Additionally, decrease funding by \$17,803,600 GPR in 2004-05 to reflect the funding necessary to support MA payments under this item.

In addition, modify the bill to ensure that the amount of the supplemental MA payment a municipality would receive would equal the reduction in that municipality's shared revenue payment. Specifically, by November 1 of each year, require DHFS to provide information to the Department of Revenue (DOR), concerning the estimated amount of supplements payable from the MA GPR appropriation to specific local governmental units for the provision of transportation for medical care during the fiscal year. Beginning November 1, 2004, the information DHFS provides to DOR must include any adjustments necessary to reflect actual claims submitted by providers in the previous fiscal year.

Annually, on the third Monday in November, require DHFS to pay to local governmental units the estimated net amounts included in the notification to DOR. Specify that, for shared revenue distributions in 2003 and county and municipal aid distributions in 2004 and subsequent years, the November payment to each county and municipality must be reduced by an amount equal to the estimated supplemental MA payments for the fiscal year in which the shared revenue payment is made.

A similar adjustment is not necessary to ensure that the supplemental MA payment to each school district equals the reduction in the school district's aid payment, since the Governor's bill requires a lapse to the general fund from the special education aids payment at the end of each fiscal year.

[Act 33 Sections: 351, 1390 thru 1392, 1393c, 1657d, 1658d, and 1999]

2. MA PAYMENTS -- HMO ASSESSMENT, SUPPLEMENTAL PAYMENTS, AND RATE INCREASES [LFB Paper 386]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
SEG -REV	\$77,178,500	- \$77,178,500	\$0
GPR	- \$22,149,500	\$22,149,500	\$0
FED	50,708,700	- 50,708,700	0
SEG	<u>77,178,500</u>	<u>- 77,178,500</u>	<u>0</u>
Total	\$105,737,700	- \$105,737,700	\$0

Governor: Increase MA and BadgerCare benefits funding by \$47,222,900 (-\$13,873,000 GPR, \$23,630,600 FED and \$37,465,300 SEG) in 2003-04 and \$58,514,800 (-\$8,276,500 GPR, \$27,078,100 FED and \$39,713,200 SEG) in 2004-05 to reflect the net effect of: (a) increasing capitation payments made to health maintenance organizations (HMOs) that serve MA and BadgerCare enrollees; (b) funding supplemental payments to HMOs; and (c) using a portion of the estimated revenue DHFS would collect from a new assessment on health maintenance organizations to replace GPR base funding for MA and BadgerCare benefits. Increase estimates of revenue to the MA trust fund by \$37,465,300 in 2003-04 and by \$39,713,200 in 2004-05.

HMO Assessment. For the privilege of doing business in this state, require each HMO to pay an annual assessment of one percent of the HMO's gross revenues for the immediately preceding calendar year to the state. Specify that the revenue from the assessment would be deposited in the MA trust fund. Require DHFS to determine the amount of each HMO's assessment, based on a statement that each HMO must file annually, by March 1, with the Office of the Commissioner of Insurance. Require each HMO to pay one-fourth of the total assessment by the end of each calendar year quarter.

Provide that these assessments would first apply to annual statements for 2002 that were due on March 1, 2003, and to assessments that are due on September 30, 2003.

Specify that current applicable statutory provisions regarding deficiency and refund determinations, interest and penalties, administrative provisions, and collection of delinquent taxes that apply to general use and sales taxes would also apply to the HMO assessment created under this provision. Require DHFS to levy, enforce, and collect the assessment and develop and distribute forms necessary for levying and collecting the assessment. Additionally, require DHFS to promulgate rules that establish procedures and requirements for levying the new assessment.

Authorize an affected HMO to contest an action by DHFS related to this assessment, by submitting a written request for a hearing to DHFS within three days after the date of the DHFS action. Specify that any DHFS order or determination that results from such a hearing would be subject to judicial review under Chapter 227 of the statutes.

Payments to HMOs. Create a biennial, sum certain SEG appropriation from the MA trust fund to support supplemental payments to HMOs. Specify that all moneys received from the HMO assessment would be credited to this appropriation. Require DHFS to provide supplemental payments to HMOs from this new appropriation to assist the HMOs in meeting increasing costs and more intense utilization of services by MA and BadgerCare recipients and other reimbursement needs DHFS identifies.

Of the revenue generated from the assessment: (a) \$10,454,300 in 2003-04 and \$11,098,800 in 2004-05 would be budgeted in the new SEG appropriation for supplemental payments to HMOs; (b) \$13,138,000 in 2003-04 and \$20,337,900 in 2004-05 would be allocated for rate increases to HMOs; and (c) \$13,873,000 in 2003-04 and \$8,276,500 in 2004-05 would be used to reduce base GPR funding for MA and BadgerCare benefits.

Joint Finance/Legislature: Delete provision.

3. DRUG SAVINGS AND PAYMENTS TO HEALTH MAINTENANCE ORGANIZATIONS

Joint Finance/Legislature: Require, by July 1, 2005, DHFS to develop a plan to fund increases in payments to health maintenance organizations (HMOs) that serve MA and BadgerCare enrollees from any savings available from the use of prior authorization and supplemental rebates for drugs purchased under MA, BadgerCare, and SeniorCare that exceed the savings anticipated in the act, if DHFS determines that such savings exist. Require DHFS to submit this plan to the DOA Secretary for approval. If the DOA Secretary approves the plan, require the DOA Secretary to submit the plan to the Joint Committee on Finance for approval under a 14-day passive review process before the plan can be implemented. Specify that the plan can include any proposed appropriation transfers necessary to implement the plan.

Veto by Governor [C-17]: Delete provision.

[Act 33 Vetoes Section: 9124(7c)]

4. PRESCRIPTION DRUG INITIATIVES

	Governor (Chg. to Base)	Jt. Finance /Leg. (Chg. to Gov)	Veto (Chg. to Leg)	Net Change
GPR	-\$63,123,600	\$3,924,900	-\$2,000,000	-\$61,198,700
FED	- 78,505,600	5,544,800	- 2,809,400	- 75,770,200
PR	- 1,918,200	0	0	- 1,918,200
Total	-\$143,547,400	\$9,469,700	-\$4,809,400	-\$138,887,100

Governor: Decrease MA, BadgerCare, and SeniorCare benefits funding by \$59,333,700 (-\$26,149,200 GPR, -\$32,390,700 FED, and -\$793,800 PR) in 2003-04 and by \$84,213,700 (-\$36,974,400 GPR, -\$46,114,900 FED, and -\$1,124,400 PR) in 2004-05 to reflect estimated savings in the costs of providing prescription drugs due to several initiatives. These initiatives include: (a) expanding the state's current use of prior authorization in cases where a less expensive drug is available within a therapeutic class; (b) exploring the use of preferred drug lists and multi-state agreements; (c) eliminating enhanced dispensing fees and allowances; (d) using mail-order pharmacies to fill prescriptions for maintenance drugs; and (e) increasing copayments for prescription drugs. All of these initiatives would apply to MA, BadgerCare, and SeniorCare, except the increase in copayments, which would not apply to SeniorCare.

In some cases, the bill contains statutory modifications to implement these initiatives.

Preferred Drug Lists and Multi-State Purchasing Agreements. Authorize DHFS to design and implement a program to reduce the cost of prescription drugs and to maintain high quality in prescription drug therapies, which would include: (a) a list of covered prescription drugs that identifies preferred choices within therapeutic classes and includes generic prescription drugs;

(b) establishing supplemental rebates under agreements with prescription drug manufacturers for prescription drugs purchased by MA, BadgerCare and SeniorCare enrollees, and to beneficiaries of entities participating in a multi-state purchasing agreement only if it is possible to implement the program without adversely affecting supplemental rebates for MA, BadgerCare, and SeniorCare programs; (c) utilization management and fraud and abuse controls; and (d) any other activity to reduce the cost of or expenditures for prescription drugs and maintain high quality in prescription drug therapies.

Authorize DHFS to enter into a multi-state purchasing agreement with another state or a purchaser of prescription drugs if the other state or purchaser agrees to participate in at least one of the above activities. Specify that DHFS may enter into a contract with an entity to perform any of the duties and exercise any of its powers under this provision.

Prior Authorization. Under this item, MA, BadgerCare, and SeniorCare benefits would be reduced by approximately \$47.5 million (all funds) in 2003-04 and \$68.6 million (all funds) in 2004-05 to reflect increasing use of prior authorization in the next biennium to encourage the use of lower-cost, therapeutically-equivalent drugs. Currently, DHFS requires prior authorization for certain single-source innovator drugs when a therapeutically-equivalent drug is available generically within the same classification. Single-source innovator drugs are drugs for which a patent is pending for the drug's chemical compound. Under this provision, DHFS would expand the use of prior authorization to capture opportunities in the market where the patent protection for single-source innovator drugs has expired and a generic equivalent is available within a therapeutic class. Additionally, the administration expects to reduce MA benefits costs through the use of multi-state agreements and preferred drug lists, which could reduce costs by increasing the amount of rebate revenue the state receives from pharmaceutical manufacturers.

Copayments. Increase from \$1 to \$3 the copayment MA enrollees (regardless of their income) and BadgerCare enrollees with income that exceeds 150% of the federal poverty level would pay for each brand name prescription drug and establish these copayment amounts in statute. Increase the maximum total amount of copayments for prescription drugs purchased by MA enrollees from \$5 per month per pharmacy to \$12 per month per pharmacy. The administration indicates that this change would apply to BadgerCare enrollees as well. Specify that these changes would first apply to prescriptions that are filled on the first day of the first month beginning after publication of the bill.

The bill would not modify the current \$1 copayment paid by certain MA and BadgerCare enrollees for generic drugs. As under current law, individuals enrolled in health maintenance organizations (HMOs), children under 18 years of age, pregnant women, and individuals in nursing homes would be exempt from the MA and BadgerCare copayment requirements.

Dispensing Fees. Under this item, estimated MA and BadgerCare benefit costs would be reduced by \$4.3 million (all funds) in 2003-04 and \$4.8 million (all funds) in 2004-05 by eliminating enhanced dispensing fees paid to pharmacists. Currently, MA pays pharmacies a dispensing fee for drugs purchased by MA, BadgerCare, and SeniorCare enrollees. The

traditional dispensing fee, which is paid for most drugs dispensed, is \$4.88 per prescription. For unit doses, which are individually packaged doses available in no more than a 96-hour supply, the dispensing fee is \$6.94 per prescription. For prescription drugs that are dispensed using compliance aids, such as pill minders or blister packaging, unused quantities must be repackaged and relabeled when the drug regimen changes. A repackaging allowance of \$0.015/unit is paid as an add-on to either the traditional dispensing fee or the unit dose dispensing fee. Pharmacists that pre-fill syringes of injectable drugs are paid an allowance fee of \$1.20 per syringe. Under this proposal, pharmacies would only be paid the traditional dispensing fee for these activities. These changes would also apply to prescriptions filled under SeniorCare.

Mail-Order Pharmacy. Under this proposal, MA and BadgerCare benefits funding would be reduced by approximately \$962,000 (all funds) annually to reflect the use of mail-order pharmacy services for maintenance drugs purchased under MA and BadgerCare. Under this proposal, DHFS would establish an exclusive contract with one or more mail-order pharmacies to provide maintenance drugs, such as insulin and diabetes supplies. The funding change included in the bill assumes that drugs could be available to beneficiaries through a mail-order service beginning July 1, 2003. Beneficiaries could voluntarily receive their medications directly through the mail, rather than purchasing such drugs at their local pharmacy. Mail-order pharmacy services would also be an option for SeniorCare enrollees under this proposal.

Joint Finance: Modify the bill as follows:

First, increase funding in the bill by \$4,809,400 (\$2,000,000 GPR and \$2,809,400 FED) in 2003-04 to reflect the estimated cost of delaying the implementation of prior authorization for prescription drugs known as selective serotonin reuptake inhibitors (SSRIs). Prohibit DHFS from requiring prior authorization for prescription drugs used to treat mental illness, including depression, psychosis and bipolar disorder, except that DHFS could require prior authorization for new prescriptions for SSRIs, but not sooner than March 15, 2004. (Prescriptions for patients already stabilized on an SSRI would not require prior authorization).

Second, increase funding in the bill by \$2,207,800 (\$911,800 GPR and \$1,296,000 FED) in 2003-04 and \$2,452,500 (\$1,013,100 GPR and \$1,439,400 FED) in 2004-05 to restore funding for supplemental dispensing fees paid to pharmacies for repackaging and relabeling unused quantities of drugs that were initially dispensed using compliance aids, such as pill minders or blister packaging;

Third, adopt the following statutory provisions:

Prescription Drug Prior Authorization Committee -- Rename and Modify Responsibilities. Rename the current Prescription Drug Prior Authorization Committee, the Prescription Drug Prior Authorization and Therapeutics Committee and require the Committee to advise DHFS on issues relating to the research, development and approval of any preferred drug list for MA's fee-for-service program, BadgerCare and SeniorCare.

Require DHFS to consider the recommendations of the Committee before it requires prior authorization for any prescription drug or determines whether a drug would be included or excluded from a preferred drug list.

Composition of Committee. Require the DHFS Secretary to appoint at least five physicians to the Committee, including: (a) one with expertise in the area of family practice, (b) one with expertise in the area of pediatrics; (c) one with expertise in the area of geriatrics; (d) one with expertise in the area of psychiatric medicine; and (e) one with expertise in the area of internal medicine and who specializes in the treatment of diabetes. This requirement would replace the current requirement that DHFS Secretary appoint two physicians who are currently in practice to the Committee.

Specify that a member of the Committee could not be employed by or under contract with the state or a pharmaceutical manufacturer or labeler, but specify that: (a) providers certified to provide services under MA, BadgerCare, SeniorCare, or the health insurance risk-sharing plan (HIRSP) would not be considered under contract with the state; and (b) physicians or pharmacists that receive grant funding from a pharmaceutical manufacturer for the purpose of research would not be prohibited from membership on the Committee, but such individuals would be required to disclose any such grants to DHFS before they are appointed to the Committee.

Committee's Operating Procedures. Require the Committee to meet: (a) upon the call of the chair of the Committee; and (b) at least annually. Specify that the chairperson of the Committee must serve for a term of one year and must be elected from the committee's membership at the Committee's first meeting each calendar year. Specify that the recommendations of the Committee would be determined by an affirmative vote of a majority of a quorum of members.

Reports to the Governor and Legislature. Require DHFS to report by January 1, 2004, to the Governor, the Joint Committee on Finance, and the appropriate standing committees of the Legislature, the names and therapeutic classes of all drugs that require prior authorization under MA, BadgerCare and SeniorCare and describe the criteria for approving prior authorization requests for each of these drugs or drug classes.

Require DHFS, by January 1 of each subsequent calendar year, to report to the Governor, the Joint Committee on Finance, and the appropriate standing committees of the Legislature on any changes in its prior authorization policies related to drugs purchased under MA, BadgerCare, and SeniorCare, including: (a) the name and therapeutic class of any drugs for which changes in prior authorization policies were made; (b) the criteria for approving prior authorization requests for each drug or therapeutic class of drugs, to which a change in policy has been made; and (c) an identification of how these changes differ, if at all, from the recommendations of the prior authorization committee, including a summary of the clinical and scientific reasoning behind DHFS' decision to implement criteria that differs from the recommendations of the committee.

Current Law. Under current law, the DHFS Secretary must create a Prescription Drug Prior Authorization Committee to advise DHFS on issues related to prior authorization

decisions concerning prescription drugs on behalf of MA enrollees. The Secretary appoints members to the committee, including at least: (a) two physicians who are currently in practice; (b) two pharmacists; and (c) one advocate for MA enrollees who has sufficient medical background, as determined by DHFS, to evaluate a drugs' clinical effectiveness. The Committee must accept information and commentary from representatives of the pharmaceutical manufacturing industry in its review of prior authorization policies.

Senate/Legislature: Require the DHFS Secretary to exercise his or her authority to create a Mental Health Medication Review Committee to advise DHFS on implementation of prior authorization requirements for SSRIs and on implementation of a process for reviewing utilization of drugs to treat mental illness under MA. Require the Secretary to appoint at least one advocate for people with mental illness and at least one consumer of a drug used to treat a mental illness as members of the Committee and specify that advocates and consumers must constitute a majority of the Committee. This provision would be effective on the bill's general effective date.

Veto by Governor [C-12 and C-13]: Delete the provisions that would have: (a) prohibited DHFS from requiring prior authorization for drugs used to treat mental illness; (b) delayed implementation of prior authorization requirements for SSRIs; (c) made various changes to DHFS' prior authorization committee; and (d) required DHFS to establish a mental health medication review committee. In addition, decrease MA funding by \$2,000,000 GPR in 2003-04 to reflect savings available from earlier implementation of prior authorization requirements for SSRIs. As a result of the Governor's partial veto, it is estimated that federal MA expenditures would be reduced by \$2,809,400 in 2003-04.

The following table identifies the total savings projected with each of these initiatives included in Act 33.

Prescription Drug Initiatives Act 33

	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>Total</u>
2003-04				
Prior Authorization	-\$21,249,000	-\$25,426,200	-\$793,800	-\$47,469,000
Copayments	-2,715,000	-3,858,700	0	-6,573,700
Dispensing Fees	-876,100	-1,245,100	0	-2,121,200
Mail-Order Pharmacy	<u>-397,300</u>	<u>-564,700</u>	<u>0</u>	<u>-962,000</u>
Total	-\$25,237,400	-\$31,094,700	-\$793,800	-\$57,125,900
2004-05				
Prior Authorization	-\$30,518,200	-\$36,942,400	-\$1,124,400	-\$68,585,000
Copayments	-4,072,400	-5,785,800	0	-9,858,200
Dispensing Fees	-973,400	-1,382,900	0	-2,356,300
Mail-Order Pharmacy	<u>-397,300</u>	<u>-564,400</u>	<u>0</u>	<u>-961,700</u>
Total	-\$35,961,300	-\$44,675,500	-\$1,124,400	-\$81,761,200

[Act 33 Sections: 1373 thru 1376, 1393, 1419, 1420, 1422, and 9324(15)&(16)]

[Act 33 Vetoed Sections: 286 (as it relates to 20.435(4)(b)), 1392p, 1392q, 1392r, 1392rj, 1392s, 1392t , 1392u, 1393, 9124(8w), and 9424(8w)]

5. SENIORCARE COST-SHARING REQUIREMENTS [LFB Papers 387 and 388]

	Governor (Chg. To Base)	Jt. Finance/Leg. (Chg. To Gov)	Net Change
PR-REV	-\$8,557,100	\$6,699,300	-\$1,587,800
GPR	-\$9,190,300	-\$11,845,600	-\$21,035,900
FED	8,694,300	- 18,917,100	- 10,222,800
PR	<u>- 8,557,100</u>	<u>6,699,300</u>	<u>- 1,857,800</u>
Total	-\$9,053,100	-\$24,063,400	-\$33,116,500

Governor: Reduce SeniorCare funding by \$3,746,600 (-\$4,098,900 GPR, \$3,554,600 FED, and -\$3,202,300 PR) in 2003-04 and \$5,306,500 (-\$5,091,400 GPR, \$5,139,700 FED, and -\$5,354,800 PR) in 2004-05 to reflect the net effect of increasing the enrollment fee and deductible under SeniorCare. Federal MA matching funds support a portion of the costs for SeniorCare enrollees with income at or below 200% of the FPL. PR includes enrollment fee revenue and rebate revenue paid by pharmaceutical manufacturers that manufacture drugs covered under the program.

Enrollment Fee. Increase the enrollment fee from \$20 to \$25 for enrollees with income up to 200% of the federal poverty level (FPL) and from \$20 to \$30 for enrollees with income above 200% of the FPL. Specify that this provision would first apply to eligibility determinations made on the bill's general effective date. Enrollees must pay the enrollment fee as a condition of eligibility for each 12-month benefit period.

Deductible. Increase the deductible amount for individuals with income above 200% of the FPL, but no more than 240% of the FPL, from \$500 to \$750 before SeniorCare benefits are paid on the enrollee's behalf. Increase the deductible amount for individuals with income above 240% of the FPL to \$850, in addition to any amount of the enrollee's income that must be spent down before SeniorCare benefits would be paid on the enrollee's behalf. Specify that this provision would first apply to eligibility determinations made on the bill's general effective date.

Individuals with income greater than 160% of the FPL, but no more than 200% of the FPL, would continue to be required to pay a \$500 deductible before benefits would be paid on their behalf.

Joint Finance/Legislature: Reduce funding in the bill by \$10,008,300 (-\$4,647,700 GPR, -\$7,931,100 FED, and \$2,570,500 PR) in 2003-04 and \$14,055,100 (-\$7,197,900 GPR, -\$10,986,000 FED, and \$4,128,800 PR) in 2004-05 and modify statutory provisions to reflect: (a) increasing the deductible to \$850 for individuals with income greater than 200% of the FPL, but no greater than 240% of the FPL; (b) increasing the copayment for brand name drugs purchased under

SeniorCare from \$15 to \$20 for all enrollees; and (c) establishing the enrollment fee at \$30 for all enrollees.

Further, specify that deductible and enrollment fee changes would first apply to enrollees with benefit periods beginning September 1, 2003, or the first day of the first month following the bill's general effective date, whichever is later, rather than to individuals determined eligible on the bill's general effective date. Specify that the copayment change would first apply to drugs purchased under SeniorCare beginning September 1, 2003, or the first day of the first month following the bill's general effective date, whichever is later.

Veto by Governor [C-14]: Delete the statutory provision that would have increased the copayment for brand name drugs to \$20. The Governor's partial veto does not restore the funding for SeniorCare that would have been saved as a result of the provision in the enrolled bill. In his veto message, the Governor indicated that he is requesting the DHFS Secretary to develop a plan by July 1, 2004, to address the projected deficit that results.

The following table summarizes the fiscal effect associated with each of these items under Senate Bill 44, as introduced, and as included Act 33.

Changes to SeniorCare Cost-Sharing Requirements Act 33

	2003-04				2004-05			
	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>Total</u>	<u>GPR</u>	<u>FED</u>	<u>PR</u>	<u>Total</u>
Senate Bill 44 Change to Base								
Increase Deductible	-\$3,697,100	\$3,850,800	-\$3,900,300	-\$3,746,600	-\$4,653,900	\$5,463,000	-\$6,115,600	-\$5,306,500
Increase Enrollment Fee	<u>-401,800</u>	<u>-296,200</u>	<u>698,000</u>	<u>0</u>	<u>-437,500</u>	<u>-323,300</u>	<u>760,800</u>	<u>0</u>
Subtotal	-\$4,098,900	\$3,554,600	-\$3,202,300	-\$3,746,600	-\$5,091,400	\$5,139,700	-\$5,354,800	-\$5,306,500
Act 33 Change to SB 44								
Increase Deductible	-\$558,300	-\$3,850,800	\$2,496,000	-\$1,913,100	-\$1,415,700	-\$5,463,000	\$4,168,700	-\$2,710,000
Increase Enrollment Fee	-17,400	-57,100	74,500	0	26,800	13,100	-39,900	0
Increase Copayment	<u>-4,072,000</u>	<u>-4,023,200</u>	<u>0</u>	<u>-8,095,200</u>	<u>-5,809,000</u>	<u>-5,536,100</u>	<u>0</u>	<u>-11,345,100</u>
Subtotal	-\$4,647,700	-\$7,931,100	\$2,570,500	-\$10,008,300	-\$7,197,900	-\$10,986,000	\$4,128,800	-\$14,055,100
Act 33 Change to Base								
Increase Deductible	-\$4,255,400	\$0	-\$1,404,300	-\$5,659,700	-\$6,069,600	\$0	-\$1,946,900	-\$8,016,500
Increase Enrollment Fee	-419,200	-353,300	772,500	0	-410,700	-310,200	720,900	0
Increase Copayment	<u>-4,072,000</u>	<u>-4,023,200</u>	<u>0</u>	<u>-8,095,200</u>	<u>-5,809,000</u>	<u>-5,536,100</u>	<u>0</u>	<u>-11,345,100</u>
Total Change to Current Law	-\$8,746,600	-\$4,376,500	-\$631,800	-\$13,754,900	-\$12,289,300	-\$5,846,300	-\$1,226,000	-\$19,361,600

[Act 33 Sections: 1439d, 1442 thru 1445, 1446, and 9324(13q)]

[Act 33 Vetoed Sections: 1446g and 9424(11g)]

6. SENIORCARE -- LONG-TERM CARE INSURANCE AND SPENDDOWN REQUIREMENT

Joint Finance/Legislature: Permit SeniorCare enrollees that are required to spend down their income to 240% of the federal poverty level (FPL) before being eligible to receive SeniorCare benefits, to count premiums paid for long-term care insurance towards their spenddown requirement. Premium payments would not be counted towards the individual's deductible requirement. This provision would first apply to enrollees with 12-month benefit periods that begin starting September 1, 2003, or the first day of the first month after the bill's general effective date, whichever is later.

Currently, only drugs purchased by an individual at retail prices count towards a spenddown requirement. Once an enrollee spends down to 240% of the FPL, the enrollee must pay an annual deductible before the state makes payments for drugs purchased for the enrollee. Currently, that deductible is \$500 annually. Under the bill, the annual deductible would increase to \$850. In 2003, 240% of the FPL for one person is equal to \$21,552 annually and \$29,088 annually for two people.

Veto by Governor [C-15]: Delete provision.

[Act 33 Vetoed Sections: 1438h, 1445h, 1446h, and 9324(13d)]

7. MA PAYMENTS -- PRESCRIPTION DRUG REIMBURSEMENT RATES [LFB Paper 389]

	Governor (Chg. to Base)	Jt. Finance /Leg. (Chg. to Gov)	Veto (Chg. to Leg)	Net Change
GPR	-\$26,588,200	\$22,500,600	-\$3,044,200	-\$7,131,800
FED	- 30,291,700	25,188,200	- 3,781,400	- 8,884,900
PR	<u>- 3,444,200</u>	<u>3,372,700</u>	<u>- 19,300</u>	<u>- 90,800</u>
Total	-\$60,324,100	\$51,061,500	-\$6,844,900	-\$16,107,500

Governor: Reduce MA, BadgerCare, and SeniorCare benefits funding by \$27,556,500 (-\$12,085,900 GPR, -\$13,989,600 FED, and -\$1,481,000 PR) in 2003-04 and by \$32,767,600 (-\$14,502,300 GPR, -\$16,302,100 FED, and -\$1,963,200 PR) in 2004-05 to reflect projected savings that would result by reducing the MA reimbursement rate DHFS pays to pharmacies and pharmacists for brand name and non-readily available generic prescription drugs and the reimbursement rate paid to providers under SeniorCare.

Under this item, DHFS would reimburse pharmacies and pharmacists for these drugs at a rate equal to the average wholesale price (AWP), as reported by manufacturers, minus 15%, plus the applicable dispensing fee (currently \$4.88 for most drugs). DHFS currently pays pharmacies and pharmacists a rate equal to the AWP minus 11.25%, plus a dispensing fee, for these types of drugs. DHFS would continue to pay pharmacies and pharmacists for readily available prescription drugs a rate equal to the maximum allowable cost, which is determined by DHFS, plus the applicable dispensing fee.

In addition, modify the current provision that specifies that the SeniorCare program payment rate is the MA reimbursement rate plus 5% to instead specify that the SeniorCare program payment rate equals the MA reimbursement rate. Specify that this provision would take effect January 1, 2004.

Joint Finance/Legislature: Provide \$23,453,000 (\$10,281,600 GPR, \$11,722,800 FED, and \$1,448,600 PR) in 2003-04 and \$27,608,500 (\$12,219,000 GPR, \$13,465,400 FED, and \$1,924,100 PR) in 2004-05 to provide a maximum MA reimbursement rate for brand name and non-readily available generic drugs at AWP-12% and restore the 5% enhancement for drugs purchased under SeniorCare.

Veto by Governor [C-11]: Reduce GPR funding in 2004-05 by: (a) \$2,244,200 for MA; (b) \$64,300 for BadgerCare; and (c) \$735,700 for SeniorCare to reflect savings associated with reducing the reimbursement rate to AWP minus 13%, beginning in 2004-05.

This partial veto would reduce estimated federal matching funds in 2004-05 by: (a) \$3,152,500 for MA; (b) \$131,100 for BadgerCare; and (c) \$497,800 for SeniorCare. In addition, it is estimated that PR from rebates paid by pharmaceutical manufacturers under SeniorCare would be reduced by \$19,300 in 2004-05.

The following table summarizes the fiscal effect of changes to the drug reimbursement rates under SB 44, as introduced, and Act 33.

**Prescription Drug Reimbursement Rates
Funding Changes
Act 33**

	2003-04				2004-05			
	GPR	FED	PR	Total	GPR	FED	PR	Total
Senate Bill 44								
MA Rate -- AWP-15%	-\$8,203,600	-\$11,125,200	\$0	-\$19,328,800	-\$9,320,600	-\$12,540,400	\$0	-\$21,861,000
SeniorCare Enhancement	<u>-3,882,300</u>	<u>-2,864,400</u>	<u>-1,481,000</u>	<u>-8,227,700</u>	<u>-5,181,700</u>	<u>-3,761,700</u>	<u>-1,963,200</u>	<u>-10,906,600</u>
Subtotal - SB 44	-\$12,085,900	-\$13,989,600	-\$1,481,000	-\$27,556,500	-\$14,502,300	-\$16,302,100	-\$1,963,200	-\$32,767,600
Legislature - Change to SB 44								
MA Rate -- AWP-12%	\$6,399,300	\$8,858,400	-\$32,400	\$15,225,300	\$7,037,300	\$9,703,700	-\$39,100	\$16,701,900
SeniorCare Enhancement	<u>3,882,300</u>	<u>2,864,400</u>	<u>1,481,000</u>	<u>8,227,700</u>	<u>5,181,700</u>	<u>3,761,700</u>	<u>1,963,200</u>	<u>10,906,600</u>
Subtotal - Change to SB 44	\$10,281,600	\$11,722,800	\$1,448,600	\$23,453,000	\$12,219,000	\$13,465,400	\$1,924,100	\$27,608,500
Governor's Partial Vetoes								
MA Rate -- AWP-13% in 2004-05	\$0	\$0	\$0	\$0	-\$3,044,200	-\$3,781,400	-\$19,300	-\$6,844,900
SeniorCare Enhancement	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Change to Enrolled SB 44	\$0	\$0	\$0	\$0	-\$3,044,200	-\$3,781,400	-\$19,300	-\$6,844,900
Net Change in Act 33								
MA Rate	-\$1,804,300	-\$2,266,800	-\$32,400	-\$4,103,500	-\$5,327,500	-\$6,618,100	-\$58,400	-\$12,004,000
SeniorCare Enhancement	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total - Change to Current Law	-\$1,804,300	-\$2,266,800	-\$32,400	-\$4,103,500	-\$5,327,500	-\$6,618,100	-\$58,400	-\$12,004,000

[Act 33 Vetoed Section: 286 (as it relates to 20.435(4)(b),(bc)&(bv))]

8. MA PAYMENTS -- GRADUATE MEDICAL EDUCATION [LFB Paper 390]

	Governor (Chg. to Base)	Jt. Finance /Leg. (Chg. to Gov)	Veto (Chg. to Leg)	Net Change
GPR	-\$23,780,000	\$8,071,600	-\$3,033,700	-\$18,742,100
FED	<u>- 33,400,600</u>	<u>11,328,400</u>	<u>- 4,261,600</u>	<u>- 26,333,800</u>
Total	-\$57,180,600	\$19,400,000	-\$7,295,300	-\$45,075,900

Governor: Reduce MA benefits funding by \$28,592,000 (-\$11,890,000 GPR and -\$16,702,000 FED) in 2003-04 and by \$28,588,600 (-\$11,890,000 GPR and -\$16,698,600 FED) in 2004-05 to reflect cost savings that would result from eliminating MA payments that support hospitals' graduate medical education (GME) costs. This item would delete payments DHFS makes to fund both direct and indirect costs.

Under the MA hospital reimbursement formulas, hospitals' base payment rates are adjusted to reflect the additional costs hospitals incur because they operate GME programs. Direct GME costs are costs of salaries and fringe benefits for residents and interns. Adjustments for indirect costs are based on the Medicare indirect GME payment formula, which adjusts each hospital's base rate based on the hospital's ratio of residents to its available beds. In 2001-02, 33 hospitals received GME payments totaling approximately \$9.7 million (all funds) for direct costs and approximately \$18.2 million (all funds) for indirect costs.

Joint Finance: Modify the Governor's recommendations by increasing funding by \$9,700,000 (\$4,033,700 GPR and \$5,666,300 FED) in 2003-04 and \$9,700,000 (\$4,037,900 GPR and \$5,662,100 FED) in 2004-05 to restore funding for MA payments for direct GME costs only.

Senate/Legislature: Direct DHFS to expend \$2,000,000 GPR in each year of the 2003-05 biennium from the amounts budgeted in MA for hospital payments for direct graduate medical education costs for hospitals' indirect medical education costs. Federal matching funds available for indirect costs are estimated to total \$2,809,400 in 2003-04 and \$2,804,500 in 2004-05. As a result, \$4,890,600 (\$2,033,700 GPR and \$2,856,900 FED) in 2003-04 and \$4,895,500 (\$2,037,900 GPR and \$2,857,600 FED) in 2004-05 would be budgeted for payments to hospitals for direct medical education costs.

Veto by Governor [C-8]: Reduce MA benefits funding by \$3,033,700 GPR in 2003-04 and delete the provision that would require \$2,000,000 GPR in the MA benefits appropriation to be spent to support hospitals' indirect costs. As a result of the Governor's partial veto it is expected that federal MA expenditures would be reduced by \$4,261,600 in 2003-04.

As a result, Act 33 provides \$2,404,700 (\$1,000,000 GPR and \$1,404,700 FED) in 2003-04 and \$9,700,000 (\$4,037,900 GPR and \$5,662,100 FED) in 2004-05 for enhanced MA payments to qualifying hospitals to support their direct GME costs in the 2003-05 biennium. No funding would be provided to support indirect costs.

[Act 33 Vetoed Sections: 286 (as it relates to 20.435(4)(b)) and 9124(12q)]

9. MA PAYMENTS -- MEDICARE CROSSOVER CLAIMS FOR OUTPATIENT HOSPITAL SERVICES [LFB Paper 391]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$10,917,000	-\$3,330,100	-\$14,247,100
FED	<u>- 15,333,100</u>	<u>- 4,614,700</u>	<u>- 19,947,800</u>
Total	-\$26,250,100	-\$7,944,800	-\$34,194,900

Governor: Reduce MA benefits funding by \$8,750,000 (-\$3,638,700 GPR and -\$5,111,300 FED) in 2003-04 and \$17,500,100 (-\$7,278,300 GPR and -\$10,221,800 FED) in 2004-05 to reflect projected savings that would result from changing the method DHFS uses to calculate payment of crossover claims for outpatient hospital services.

Medicare crossover claims are claims for which MA is required to pay deductibles and copayments on behalf of Medicare beneficiaries with incomes at or below 100% of the FPL. In 2001-02, MA paid approximately \$18.4 million (all funds) for Medicare crossover claims for outpatient hospital services. Under this item, DHFS would modify its method of calculating payments to hospitals for Medicare crossover claims so that the maximum amount MA would pay would be limited to the MA rate per visit for the sum of all services received during an outpatient visit. With this change, DHFS expects that MA would no longer pay crossover claims for most outpatient hospital services, which would reduce payments to providers that offer these services. As required under federal law, Medicare enrollees with incomes below 100% of the FPL would continue to be exempt from deductible and copayment requirements.

Joint Finance/Legislature: Reduce funding by \$3,779,900 (-\$1,589,800 GPR and -\$2,190,100 FED) in 2003-04 and by \$4,164,900 (-\$1,740,300 GPR and -\$2,424,600 FED) in 2004-05 to reflect reestimates of the projected savings available under this item.

10. MA PAYMENTS -- ADJUSTMENTS FOR RURAL HOSPITALS

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$1,874,000	\$1,874,000	\$0
FED	<u>- 2,632,100</u>	<u>2,632,100</u>	<u>0</u>
Total	-\$4,506,100	\$4,506,100	\$0

Governor: Reduce MA benefits funding by \$2,253,200 (-\$937,000 GPR and -\$1,316,200 FED) in 2003-04 and by \$2,252,900 (-\$937,000 GPR and -\$1,315,900 FED) in 2004-05 to reflect projected savings that would result by eliminating funding for supplemental payments for rural hospitals. Delete the statutory requirement that DHFS distribute no more than \$2,256,000 annually as supplemental funds to rural hospitals that have a high utilization of inpatient services funded from government sources. Funding for critical access hospitals would not be affected by this item.

Joint Finance/Legislature: Delete provision.

11. MA PAYMENTS -- NON-INSTITUTIONAL PROVIDER RATES [LFB Paper 379]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
SEG	\$6,265,500	- \$6,265,500	\$0
FED	<u>9,355,400</u>	<u>- 9,355,400</u>	<u>0</u>
Total	\$15,620,900	- \$15,620,900	\$0

Governor: Increase MA and BadgerCare benefits funding by \$7,598,100 (\$3,047,000 SEG and \$4,551,100 FED) in 2003-04 and \$8,022,800 (\$3,218,500 SEG and \$4,804,300 FED) in 2004-05 to fund increases in the maximum reimbursement rate provided for certain non-institutional providers under MA. Under this provision, in 2003-04, rates for: (a) home health services would increase by 10%; (b) speech and language pathology services would increase by 10%; (c) common carrier transportation services would increase to \$0.50 per mile for volunteer drivers, \$1.25 per mile for human service operators, and \$0.01 per mile for administrative costs; and (d) family planning services would increase by 45% and family planning supplies would increase by 55.9%; and (e) outpatient psychiatric evaluations and psychotherapy services would increase from \$80.13 per hour to \$100 per hour. These rate increases would be effective July 1, 2003.

The rate increase for home health agencies would include the following services provided by the agencies: private-duty nursing, respiratory care services, physical and occupational therapy, home health nursing and home health aide services. Common carrier transportation services are provided for MA and BadgerCare enrollees who are able to walk and receive services through common transportation systems, such as buses and taxis.

Segregated revenue included in this provision would provide the state's share of costs for these rate increases and would be available from the MA trust fund from revenue available from the administration's proposal to create an IGT program for noninstitutional services provided by local units of government, which is summarized as Item #12 under "Health and Family Services -- Health Care Financing -- Base Funding and Revenue."

Joint Finance/Legislature: Delete provision. However, specify that if, before July 1, 2005, sufficient federal funds are available to support this item at the funding level recommended by the Governor, DHFS would be required to report this to the Legislature and include any proposed legislation to implement this item.

Veto by Governor [C-7]: Delete the Joint Finance provision that would have required DHFS to report to the Legislature if sufficient federal MA funds are available to support items at the funding level recommended by the Governor.

[Act 33 Vetoed Section: 9124(11f)]

12. MA PAYMENTS -- OXYGEN AND END-STAGE RENAL DIALYSIS SERVICES

GPR	- \$5,032,900
FED	- 7,068,900
Total	- \$12,101,800

Governor/Legislature: Reduce MA benefits funding by \$6,045,600 (-\$2,514,100 GPR and -\$3,531,500 FED) in 2003-04 and by \$6,056,200 (-\$2,518,800 GPR and -\$3,537,400 FED) in 2004-05 to reflect the projected cost savings of reimbursing providers for oxygen services and dialysis services for end-stage renal disease (ESRD) provided at free-standing clinics based on the formulas used under Medicare for payment of these services. Under this provision, reimbursement for oxygen equipment rental, accessories, and oxygen content would be reimbursed under one daily rate, rather than as separate services. In addition, ESRD services provided at free-standing clinics would be reimbursed at the Medicare payment rate, rather than under the current formula, which pays these clinics between 95% and 100% of their usual and customary charges. The projected savings for this item is based on the assumption that these changes would take effect July 1, 2003.

13. MA PAYMENTS -- DURABLE MEDICAL EQUIPMENT

GPR	- \$1,441,000
FED	- 2,023,700
Total	- \$3,464,700

Governor/Legislature: Reduce MA benefits funding by \$753,300 (-\$313,300 GPR and -\$440,000 FED) in 2003-04 and by \$2,711,400 (-\$1,127,700 GPR and -\$1,583,700 FED) in 2004-05 to reflect anticipated savings that would result by: (a) limiting MA payments for rental of durable medical equipment (DME) to the purchase price of the equipment (-\$313,300 GPR and -\$440,000 FED in 2003-04 and -\$627,700 GPR and -\$881,500 FED in 2004-05); and (b) directly purchasing DME in bulk quantities for distribution to MA enrollees (-\$500,000 GPR and -\$702,200 FED in 2004-05).

Under this item, MA would stop paying providers for all existing DME rentals as of January 1, 2004, where MA rental payments have exceeded the purchase price and all rentals starting after January 1, 2004, would be subject to the new limits. Once the rental payments total the purchase price of the equipment, the equipment would belong to the MA enrollee. Additionally, the Executive Budget Book indicates that the Governor is directing DHFS to pursue, by 2004-05, a request-for-proposal to purchase durable medical equipment in bulk quantities that would be available for MA enrollees.

14. MA SERVICES -- INTENSIVE, IN-HOME SERVICES FOR AUTISTIC CHILDREN [LFB Paper 392]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	- \$16,632,000	0.00	\$17,342,400	0.19	\$710,400	0.19
FED	- 23,360,800	0.00	25,104,600	0.25	1,743,800	0.25
Total	- \$39,992,800	0.00	\$42,447,000	0.44	\$2,454,200	0.44

Governor: Reduce MA benefits funding by \$19,997,600 (-\$8,316,000 GPR and -\$11,681,600 FED) in 2003-04 and by \$19,995,200 (-\$8,316,000 GPR and -\$11,679,200 FED) in 2004-05 to reflect

projected net savings that would result by no longer covering intensive, in-home services to children with autism under MA. If this proposal were approved, these children would be able to receive treatment services through clinics, schools, and other types of services. Consequently, the administration's estimate of the cost savings includes projected increases in the cost of these other MA-covered services.

In June, 2000, the U.S. Department of Health and Human Services denied a proposed amendment to the state's MA plan to include intensive, in-home therapy services for autistic children as a covered service under the state's early and periodic screening, diagnostic, and treatment (EPSDT) benefit, known as HealthCheck, indicating these services were not eligible for federal MA matching funds. DHFS has continued to cover this benefit since the proposed amendment was denied and has continued to claim federal matching funds for the benefit. However, continued claiming of federal funds for this benefit could put the state at risk for disallowances for the federal share of costs for the services.

Intensive, in-home services for autistic children involve behavioral therapy services, provided up to 35 hours per week in a child's home under the guidance of a Ph.D. psychologist. Currently, approximately 1,000 children receive these services. Expenditures for these services totaled approximately \$31.7 million (all funds) in 2001-02.

Joint Finance: Delete the Governor's recommendation. Instead, create an intensive, in-home autism benefit under a community-based waiver program. Provide \$21,014,100 (\$8,612,400 GPR and \$12,401,700 FED) in 2003-04 and \$21,432,900 (\$8,730,000 GPR and \$12,702,900 FED) in 2004-05 to fund the cost of the wavier proposal and 0.19 GPR position and 0.25 FED position, beginning in 2003-04.

By January 1, 2004, as part of its request to waive federal law for purposes of redesigning the children's long-term care system authorized under 2001 Wisconsin Act 16, authorize DHFS to seek a waiver permitting MA reimbursement on a statewide basis for certain in-home habilitation services for children who are diagnosed with autism spectrum disorder. Additionally, modify current provisions to clarify DHFS' authority to impose cost-sharing for publicly-funded services provided to children under existing MA waiver programs and the children's long-term care system redesign waivers. Finally, create two PR appropriations for revenue received from this cost-sharing requirement for: (a) administrative costs associated with collecting revenue for publicly-funded waiver services provided to children; and (b) distribution to counties for the state share of MA payments for services provided to children under CIP 1B, the brain injury waiver, and the children's long-term care system redesign waivers. Under this item, funding for administrative costs would be limited to the amounts budgeted and all remaining revenue could be distributed to counties.

Senate/Legislature: Modify current law provisions relating to the redesign of children's long-term care services to specify that an administering agency could include a human services agency under contract with DHFS, in addition to county departments. Specify that the administering agency in counties in which the program is located, rather than county departments (as provided under current law), would provide, contract for the provision of,

organize, or arrange for the long-term care needs of eligible children. Delete current law provisions that specify that the cost of the children's long-term care program may not exceed the cost of existing community-based waiver programs, the family support program, and the birth-to-three program. Delete the current law provision that requires the program to blend the costs per child served in these programs.

These changes were made to ensure that the bill correctly reflects the intent of the Joint Committee on Finance that counties can choose not to administer the waivers for the children's long-term care redesign and that funding budgeted for intensive, in-home autism services be allocated separately from other funding sources for the waivers.

[Act 33 Sections: 471c, 475f, 475h, 1100g, 1403d, 2813r, 2813s, 2813t, and 9124(8c)]

15. MA SERVICES -- MANDATORY ENROLLMENT IN MANAGED CARE FOR MA RECIPIENTS WHO RECEIVE SSI [LFB Paper 393]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$16,336,200	\$1,597,500	-\$14,738,700
FED	<u>- 22,943,200</u>	<u>2,242,200</u>	<u>- 20,701,000</u>
Total	-\$39,279,400	\$3,839,700	-\$35,439,700

Governor: Reduce funding by \$2,010,300 (-\$836,000 GPR and -\$1,174,300 FED) in 2003-04 and by \$37,269,100 (-\$15,500,200 GPR and -\$21,768,900 FED) in 2004-05 to reflect projected savings in MA benefits costs that would result if DHFS obtained federal approval to require MA recipients who are eligible for supplemental security income (SSI) to enroll in managed care plans, including recipients who are in a geographic service region that contains only a single managed care organization as a service provider. Require DHFS to request, by January 1, 2004, from the Secretary of the U.S. Department of Health and Human Services, any waivers of federal MA laws necessary to implement this requirement.

Under federal MA rules, states may require MA recipients to enroll in managed care plans, subject to certain limitations and exemptions. In general, a state may require MA recipients to enroll in managed care plans if at least two managed care organizations are present as providers in each of the state's geographic areas. Consequently, Wisconsin currently requires MA recipients, including MA recipients who receive SSI, to enroll in managed care plans only if the recipient has a choice between two or more managed care organizations.

Joint Finance/Legislature: Decrease funding by \$6,002,800 (-\$2,496,000 GPR and -\$3,506,800 FED) in 2003-04 and increase MA benefits funding by \$9,842,500 (\$4,093,500 GPR and \$5,749,000 FED) in 2004-05 to reflect revised estimates of the cost savings of this item. In addition, require DHFS to: (a) consult with advocacy groups and managed care organizations in determining the types of services required by the recipients, particularly those with problems related to mental illness or alcohol or other drug abuse and capitation rates that would be provided under managed care contracts; and (b) submit the proposed managed care contracts

to the appropriate standing committees of the Legislature for review before offering the contracts to managed care organizations.

Veto by Governor [C-16]: Delete the provisions that would require DHFS to consult with advocacy groups and managed care organizations and submit proposed managed care contracts to the appropriate standing committees of the Legislature before offering the contracts to managed care organizations for bidding.

[Act 33 Section: 9124(4)]

[Act 33 Vetoed Section: 1312n]

16. MA SERVICES -- MANAGED CARE FOR CHILDREN IN OUT-OF-HOME CARE

Governor/Legislature: Provide \$326,200 (\$163,100 GPR and \$163,100 FED) in 2003-04 and \$333,000 (\$166,500 GPR and \$166,500 FED) in 2004-05 and 2.0 positions (1.0 GPR position and 1.0 FED position) to fund: (a) an evaluation and quality improvement program for a project to provide MA services to children in out-of-home care in Milwaukee county through a managed care organization rather than through fee-for-service providers (\$123,600 GPR and \$123,600 FED in 2003-04 and \$124,600 GPR and \$124,600 FED in 2004-05); and (b) 2.0 contract specialist positions to work in Milwaukee County with managed care entities and community organizations to monitor contracts under the project, provide technical assistance to the contracting agency, providers, and child welfare workers (\$39,500 GPR and \$39,500 FED in 2003-04 and \$41,900 GPR and \$41,900 FED in 2004-05).

Funding Positions		
GPR	\$329,600	1.00
FED	<u>329,600</u>	<u>1.00</u>
Total	\$659,200	2.00

1999 Wisconsin Act 9 required DHFS to request a waiver from the Secretary of the U.S. Department of Health and Human Services, by January 1, 2001, that would allow DHFS to require children in foster care who live in Milwaukee County to enroll in a managed care plan as a condition of receiving benefits under MA. While Act 9 specifies that DHFS must seek a waiver to implement the project, DHFS indicates that a waiver is not necessary to implement the project as planned.

17. MA SERVICES -- PRIOR AUTHORIZATION FOR THERAPY SERVICES

Governor/Legislature: Reduce MA benefits funding by \$700,000 (-\$291,100 GPR and -\$408,900 FED) in 2004-05 to reflect savings that would result by changing the current prior authorization requirements for therapy services and the process for approving prior authorization requests for therapy services. DHFS has not yet developed a plan to revise its prior authorization requirements or process to create the anticipated savings under this item.

GPR	- \$291,100
FED	<u>- 408,900</u>
Total	- \$700,000

Currently, providers must obtain prior authorization before they can be reimbursed for physical, occupational, and speech therapy services they provide to MA enrollees that exceed 35 treatments per spell of illness.

18. MA SERVICES -- CASE MANAGEMENT FOR JUVENILES UNDER THE SUPERVISION OF THE DEPARTMENT OF CORRECTIONS

Governor/Legislature: Authorize the Department of Corrections to provide case management services, as an MA benefit, for certain juveniles that are MA beneficiaries, under the supervision of the Department of Corrections, and are eligible to receive case management services under MA. Specify that the state's share for the cost of the case management services would be paid from PR appropriations for correctional services, residential aftercare, and corrective sanctions in the Department's Division of Juvenile Corrections. Require DHFS to pay Corrections any federal funding received as reimbursement for the case management services provided under this provision.

MA beneficiaries that are eligible for case management services include individuals that: (a) have a developmental disability; (b) have a chronic mental illness; (c) have Alzheimer's disease; (d) are alcoholics; (e) are drug dependent; (f) are physically disabled; (g) are children with serious emotional disturbances; (h) are members of a family that has a child who is at risk of serious physical, mental, or emotional dysfunction; (i) are HIV infected; (j) are eligible for the birth-to-three program; (k) are infected with tuberculosis; (l) are children with asthma; and (m) are women aged 45 to 64 and who are not residents of a nursing home or otherwise receiving case management services. Currently, counties may elect to provide case management services to individuals eligible for such services. Those counties that elect to provide such services pay the state's share of the services and DHFS is required to pay to the county any federal matching funds received as reimbursement for the cost of the services.

Under federal law, individuals that are residents of public institutions, including any secure correctional facility, are not eligible for MA. Therefore, this provision would not apply to any individual that is a resident of a secure correctional facility.

[Act 33 Sections: 1379 thru 1381]

19. MA SERVICES -- ELIMINATE COMMUNITY-BASED PSYCHOSOCIAL BENEFIT

Governor: Delete community-based psychosocial services, including case management services, provided by the staff of a certified community support program, as an MA benefit.

Psychosocial services refer to a variety of social services that are intended to allow an individual with mental health needs to better manage their symptoms and increase the likelihood of the individuals' independent, effective functioning in the community. These services may include employment-related services, social and recreational skill training, assistance or supervision of activities of daily living, case management and other support

services. Currently, a county may elect to make this service available if it provides the state's share of the total MA- eligible cost. Consequently, no GPR funding is budgeted to support this benefit.

This benefit was created in 1997 Wisconsin Act 27 as a way of partially supporting counties' costs of serving individuals with mental health needs that exceed outpatient services, but who do not require the level of need required under community support programs. However, no county has claimed federal matching funds for these services because DHFS has not implemented the benefit.

Joint Finance/Legislature: Delete the Governor's provision. Consequently, community-based psychosocial services, including case management services, provided by the staff of a certified community support program, would be a service covered under the state's MA program in those counties that elect to provide this service.

In addition, authorize DHFS to promulgate emergency rules regarding: (a) standards for eligibility, scope of services and certification requirements; and (b) conditions for MA coverage of these services. Provide that the emergency rules could remain in effect until the date on which permanent rules take effect.

[Act 33 Sections: 1382c, 1382e, and 9124(10m)]

20. MA SERVICES -- CONSUMER-DIRECTED PERSONAL CARE

Governor/Legislature: Direct DHFS to implement a consumer-directed personal care benefit as an MA demonstration program for 100 current community waiver participants. DHFS would establish an annual personal care benefit for each participant, and permit these participants to choose an individualized package of personal care services that do not exceed the cost of the annual benefit. Funding for these services would be provided by reallocating base MA benefits funding. DHFS would be required to submit a request for a waiver of federal MA law to the U.S. Department of Health and Human Services. While the Executive Budget Book describes this item, the administration indicates that no funding or statutory changes are needed to implement it. Consequently, Act 33 does not include funding or statutory changes relating to this proposal.

21. BADGERCARE -- ELIGIBILITY

Governor: Reduce BadgerCare benefits funding by \$1,650,000 (-\$491,600 GPR and -\$1,158,400 FED) in 2003-04 and by \$8,071,400 (-\$2,360,900 GPR and -\$5,710,500 FED) in 2004-05 to reflect projected savings that would result by: (a) requiring each employed member of a family that is enrolled in BadgerCare to verify specified information (-\$362,400 GPR and -\$882,600 FED in 2003-04 and -\$2,231,700 GPR and -\$5,434,700 FED in 2004-05); and (b) making eligibility for the health insurance premium

GPR	- \$2,852,500
FED	- 6,868,900
Total	- \$9,721,400

program (HIPP) a qualifying event for immediate enrollment in an employer's health insurance plan (-\$129,200 GPR and -\$275,800 FED annually).

Employment and Insurance Verification. As a condition of eligibility, require each member of a family who is employed to verify from his or her employer, in the manner specified by DHFS: (a) his or her earnings; (b) whether the employer provides health care coverage for which the family is eligible; and (c) the amount that the employer pays, if any, toward the cost of that coverage, excluding any deductibles or copayments required under the coverage.

Specify that if no waiver is necessary to implement this provision, these requirements would first apply to both eligibility determinations and annual reviews of such determinations on January 1, 2004. If a waiver is necessary to implement these provisions, require DHFS to request a waiver from the Secretary of the U.S. Department of Health and Human Services to require such verification and prohibit DHFS from implementing such requirements unless the waiver is granted. (A technical modification to the bill is necessary to ensure that this provision meets the Governor's intent).

Currently, after a family has applied and been found eligible for BadgerCare, DHFS seeks to verify the income and insurance information provided by the family by sending forms to the employers of any working family members. Under this provision, eligibility would not be determined until the employee's income and health insurance information is verified by the employee's employer. It is intended that such verification would not be required for children that are not residing with their parents.

Individuals that have had access to employer-sponsored health care coverage are not eligible to participate in BadgerCare if the employer would have paid at least 80% of the costs of that coverage. Individuals for whom the employer's contribution is less than 80% of the cost of the coverage are eligible if they meet all other eligibility criteria.

Enrollment Period for HIPP. Require an insurer offering a group health benefit plan to allow an employee or an employee's or participant's dependent who is not enrolled but who is eligible for coverage under the terms of the group health benefit plan, to enroll for coverage under the terms of the plan if all of the following apply: (a) the employee or dependent is eligible for benefits under MA or BadgerCare; and (b) DHFS will purchase coverage under the group health benefit plan on behalf of the employee or dependent because it has determined that paying the portion of the premium for which the employee is responsible would not be more costly than providing MA or BadgerCare benefits.

Require an insurer permitting an employee or dependent to enroll in its health plan under this provision to provide for an enrollment period of not less than 30 days, beginning on the date on which DHFS makes its determination to pay the employee's share of the premium.

Specify that these changes first apply to determinations made on the bill's general effective date.

Under HIPPI, DHFS may purchase coverage under a group health insurance plan offered by the employer of a member of a family enrolled in BadgerCare if it determines that purchasing that coverage would not be more costly than providing coverage under BadgerCare. BadgerCare would cover the costs of any deductibles, coinsurance, or copayments required of the plan that exceed the amounts required under BadgerCare and any services covered under BadgerCare that are not covered under the group health plan.

Currently, if a family enrolls in BadgerCare and is eligible to participate in HIPPI, typically, the family must wait until the group health plan offers an open enrollment period during which the family can enroll. In the mean time, the family receives coverage under BadgerCare. Under this provision, insurers offering group health plans for which BadgerCare enrollees are eligible would be required to enroll the BadgerCare enrollees in their group health plan within 30 days after DHFS determines that it will pay the employee's share of the premium.

Joint Finance/Legislature: Modify the requirement to verify income and insurance coverage as a condition of eligibility to specify that it applies to adults in families enrolled in BadgerCare.

[Act 33 Sections: 1414 thru 1417, 2651, and 9324(1)]

22. BADGERCARE -- PREMIUMS [LFB Paper 394]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
PR-REV	\$4,159,600	\$782,300	\$4,941,900
GPR	- \$1,210,900	- \$1,325,700	- \$2,536,600
FED	- 2,948,800	- 3,322,100	- 6,270,900
PR	<u>4,159,600</u>	<u>782,300</u>	<u>4,941,900</u>
Total	- \$100	- \$3,865,500	- \$3,865,600

Governor: Reduce BadgerCare benefits funding by \$1,395,300 (-\$406,200 GPR and -\$989,100 FED) in 2003-04 and by \$2,764,400 (-\$804,700 GPR and -\$1,959,700 FED) in 2004-05 and increase funding by \$1,395,200 PR in 2003-04 and \$2,764,400 PR in 2004-05 to reflect the net effect of increasing premiums paid by families enrolled in BadgerCare with income above 150% of the FPL, beginning January 1, 2004. The additional premium revenue would replace current state and federal funding budgeted for benefits, based on the current allocation of program costs for services provided to these families (29% GPR/71% FED).

Beginning January 1, 2004, prohibit DHFS from establishing a premium schedule that would require a family or child participating in BadgerCare with income above 150% of the FPL to contribute more than 5% of the child or family's income towards the cost of care under BadgerCare. Delete the current statutory provisions that authorize DHFS to establish a premium schedule that would require families to contribute no more than 3% of the family's

income towards the cost of care under BadgerCare, or 3.5% of the child's or family's income if approved by the Joint Committee on Finance under a 14-day passive approval process.

Define "cost" as total cost-sharing charges, including premiums, copayments, coinsurance, deductibles, enrollment fees, and any other cost-sharing charges. Change the title of the "BadgerCare premiums" PR appropriation to "BadgerCare cost sharing."

Joint Finance/Legislature: Approve the Governor's recommendations, but reduce funding in the bill by \$1,659,500 (-\$512,400 GPR, -\$1,281,900 FED, and \$134,800 PR) in 2003-04 and by \$2,206,000 (-\$813,300 GPR, and -\$2,040,200 FED, and \$647,500 PR) in 2004-05 and increase PR-REV by \$134,800 in 2003-04 and \$647,500 in 2004-05 to reflect a reestimate of the provision.

[Act 33 Sections: 460, 1421, and 9424(9)]

23. WISCONCARE AND HOSPITAL ASSESSMENTS [LFB Paper 395]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$1,500,000	\$0	-\$1,500,000
FED	<u>- 2,106,800</u>	<u>2,106,800</u>	<u>0</u>
Total	-\$3,606,800	\$2,106,800	-\$1,500,000

Governor: Repeal the WisconCare program. Make statutory changes so that \$750,000 PR (revenue from hospital assessments) that is currently budgeted for WisconCare would instead fund general MA benefits costs. Reduce MA benefits funding by \$750,000 GPR annually to reflect the substitution of this PR funding for MA GPR base funding. [The bill would also reduce MA benefits funding by \$1,053,500 FED in 2003-04 and by \$1,053,300 FED in 2004-05. However, the amount of federal MA matching funds the state would claim would not change by substituting one state source (GPR) with another (PR)].

Retitle the current PR appropriation that funds WisconCare and graduate medical education payments under MA to "Medical assistance; hospital assessments" instead. Modify the appropriation so that it can be used for all of the same purposes that the GPR budgeted for MA benefits is used. In addition, modify the GPR MA benefits appropriation to reflect that funding in that appropriation is used to fund a portion of MA-related costs.

WisconCare provides primary health care services, including diagnostic, laboratory and x-ray services, prescription drugs, and nonprescription insulin and insulin syringes to individuals: (a) with income no greater than 150% of the federal poverty level; (b) that are employed for less than 25 hours per week; and (c) do not have health care coverage. WisconCare currently operates in 17 counties and serves approximately 200 individuals. In administering the program, DHFS is required to seek a maximum of donated or reduced-rate health care services to support the program, primarily professional services. Most of the

funding budgeted for the program supports prescription drugs and the program's administrative costs.

DHFS currently assesses hospitals \$1.5 million annually to support WisconCare (\$750,000) and to partially offset MA GPR costs of graduate medical education (GME) payments under MA (\$750,000). However, a separate item in the bill would eliminate GME payments. Therefore, under the bill, the total amount of hospital assessment revenue (\$1.5 million annually) would be used to reduce GPR MA costs, rather than to fund GME payments or WisconCare.

Joint Finance/Legislature: Modify the Governor's recommendations by: (a) increasing MA benefits funding by \$1,053,500 FED in 2003-04 and by \$1,053,300 FED in 2004-05 to reflect that federal funding claimed under MA would not change by substituting one state source (GPR) with another (PR); and (b) authorizing DHFS to pay outstanding claims related to the WisconCare program in 2003-04 from the PR appropriation that would be renamed under this item.

[Act 33 Sections: 454, 458, 458b, 1111 thru 1114, 1134, 1135, 1166, 1311, 1318, 1328, 1365 thru 1372, 1378, 1404, 1405, 1409, 2062, 9124(10c) and 9424(11d)]

24. MA AND TITLE IV-E ELIGIBILITY -- UNEMPLOYED PARENT RULE

GPR	- \$30,000
FED	<u>30,000</u>
Total	\$0

Governor/Legislature: Reduce funding by \$12,800 GPR in 2003-04 and \$17,200 GPR in 2004-05 and increase federal funding by corresponding amounts to reflect a change in the way individuals are determined eligible for MA and Title IV-E funding under criteria related to the former aid to families with dependent children (AFDC) program. This provision: (a) reduces GPR support and increases federal funding by a corresponding amount for the Bureau of Milwaukee Child Welfare (\$3,700 in 2003-04 and \$5,000 in 2004-05) and state payments for foster care and adoption assistance (\$9,100 in 2003-04 and \$12,200 in 2004-05); and (b) transfers funding from BadgerCare to MA (\$260,100 GPR and \$369,000 FED in 2003-04 and \$346,300 GPR and \$492,500 FED in 2004-05).

Under MA and Title IV-E, the costs of services provided for families with dependent children are eligible for federal cost-sharing if the families meet the eligibility criteria for participation in the former AFDC program, based on the criteria that existed before the program was eliminated in 1996. Under these criteria, families could be eligible for both MA and Title IV-E if the children's parents were considered absent, incapacitated, unemployed, or underemployed and met the income requirements of the program. Under current law, to be considered underemployed, a parent has to work less than 100 hours in the month in which the family applies or in each of the previous two months and is expected to work less than 100 hours in the next month. This item would eliminate this requirement. Therefore, a parent would be considered underemployed if they have income that meets the income eligibility

criteria for AFDC and would not be subject to the 100 hour work rule. This requirement only applies to two-parent families.

With this change, more families would meet the Title IV-E and MA AFDC-related eligibility criteria. Consequently, more federal revenue would be available to support costs for the Bureau of Milwaukee Child Welfare and state foster care and adoption assistance payments that are currently funded by GPR. Additionally, since some families that are currently eligible for BadgerCare would instead be eligible for MA, this item transfers funding from the BadgerCare appropriation to MA to reflect this change.

Because DHFS can make this change administratively, no statutory change is required.

25. MA ELIGIBILITY -- WOMEN DIAGNOSED WITH BREAST OR CERVICAL CANCER OR PRECANCEROUS CONDITIONS

GPR	\$25,600
FED	<u>62,600</u>
Total	\$88,200

Governor/Legislature: Increase MA benefits funding by \$28,300 (\$8,200 GPR and \$20,100 FED) in 2003-04 and by \$59,900 (\$17,400 GPR and \$42,500 FED) in 2004-05 to support the costs of expanding MA eligibility criteria for women diagnosed with breast or cervical cancer. Modify the current eligibility criteria so that: (a) women diagnosed with precancerous conditions of the breast or cervix would be eligible for MA benefits; and (b) women eligible for benefits under a medical program administered by the Indian Health Service or a tribal organization would be eligible for MA under this criteria. These changes would be effective on the bill's general effective date.

Under provisions created in 2001 Wisconsin Act 16, any woman that is diagnosed with breast or cervical cancer through the Wisconsin Well Woman program, who is under 65 years of age, and requires treatment for the cancer, is eligible for MA, based on federal law changes enacted under the federal Breast and Cervical Cancer Prevention and Treatment Act of 2000 (P.L. 106-354). The administration indicates that these changes are necessary to comply with federal laws and regulations that were enacted after P.L. 106-354. Under P.L. 106-354, enhanced federal matching funds are available to support approximately 71% of the costs of services provided to women who meet these qualifications. The amount of the funding increase is based on an assumption that an additional 13 women per year would be eligible for MA with this change. As of May, 2003, there were 111 women enrolled in MA under this eligibility category.

[Act 33 Sections: 1406 thru 1408, and 1410]

26. MA ELIGIBILITY -- DIVESTMENT

GPR	- \$441,800
FED	<u>- 620,700</u>
Total	- \$1,062,500

Governor/Legislature: Reduce MA benefits funding by \$530,800 (-\$220,700 GPR and -\$310,100 FED) in 2003-04, and by \$531,700 (-\$221,100 GPR and -\$310,600 FED) in 2004-05 to reflect projected savings in MA benefits costs that would result from making changes to the state's divestment policies.

DHFS would implement two policy changes under its current statutory authority. First, DHFS would limit individuals' ability to use annuities to become eligible for MA by treating annuities as a countable asset if there is a market in which the annuity could be sold.

Second, DHFS would ensure that assets transferred to a community spouse are for the sole benefit of the community spouse by: (a) requiring that transfers be arranged in such a way that no individual except the spouse, disabled child, or disabled individual under the age of 65 can, in any way, benefit from the assets transferred either at the time of the transfer or at any time in the future; and (b) requiring that transfers be accomplished through a written instrument of transfer, such as a trust document, which legally binds the parties to a specific course of action and which clearly sets out the conditions under which the transfer was made, as well as who can benefit from the transfer.

27. MA ELIGIBILITY -- IRREVOCABLE BURIAL TRUSTS [LFB Paper 396]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$318,000	\$318,000	\$0
FED	<u>- 446,600</u>	<u>446,600</u>	<u>0</u>
Total	-\$764,600	\$764,600	\$0

Governor: Reduce MA benefits funding by \$764,600 (-\$318,000 GPR and -\$446,600 FED) in 2004-05 to reflect the projected savings that would result by reducing, from \$3,000 to \$1,500, the maximum amount of an irrevocable burial trust that is excluded from an individual's assets for the purpose of determining the individual's eligibility for MA. Specify that this provision would take effect January 1, 2004, and would first apply to burial trust agreements entered into on that date.

Joint Finance/Legislature: Delete provision.

28. MA ELIGIBILITY -- SPOUSAL IMPOVERISHMENT ASSET LIMIT

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$184,800	\$184,800	\$0
FED	<u>- 259,500</u>	<u>259,500</u>	<u>0</u>
Total	-\$444,300	\$444,300	\$0

Governor: Reduce MA benefits funding by \$111,000 (-\$46,200 GPR and -\$64,800 FED) in 2003-04 and by \$333,300 (-\$138,600 GPR and -\$194,700 FED) in 2004-05 to reflect projected cost savings that would result by changing the state's community spouse resource allowance to a single standard of \$50,000.

Currently, if a married individual who is in a medical institution or nursing facility or receives long-term care through a community-based program (an "institutionalized spouse") is

eligible for MA, and his or her spouse is not in a nursing facility or does not receive long-term care through a community-based program (a "community spouse"), an amount of the couple's assets need not be used to pay for the care of the institutionalized spouse and may be retained by the community spouse. This amount is called the "community spouse resource allowance."

The allowance equals the amount by which the amount of resources otherwise available to the community spouse is exceeded by the greatest of the following: (a) \$12,000, increased by the same percentage increase as the increase in the consumer price index between September, 1988 and the September of the year before the calendar year involved; (b) \$50,000; (c) the lesser of \$60,000, increased by the same percentage as the consumer price index between September, 1988 and the September of the year before the year involved, or one-half of the value of the spouse's assets, determined at the beginning of the institutionalized spouse's institutionalization; (d) the amount established in a fair hearing; or (e) the amount transferred under a court order.

The bill would establish the maximum amount of assets that could be transferred to a community spouse at \$50,000. This change would lower the asset limit for couples that have assets greater than \$100,000, since these couples can currently transfer up to half of their assets, up to the federal maximum (\$90,660 as of January 1, 2003).

The following table compares how the community spouse resource allowance is currently calculated and how it would be calculated under the bill.

Calculation of the Community Spouse Resource Allowance (2003)

	<u>Current Law</u>	<u>Bill</u>
If the Countable Assets of the Couple are:		
\$100,000 or less	\$50,000	\$50,000
Greater than \$100,000 but less than \$181,320	50% of the total countable assets of the couple	\$50,000
\$181,320 or more	\$90,660	\$50,000

Joint Finance/Legislature: Delete provision.

29. MA ELIGIBILITY -- PERSONAL NEEDS ALLOWANCE [LFB Paper 397]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	- \$3,424,800	\$3,424,800	\$0
FED	- 4,810,300	4,810,300	0
Total	- \$8,235,100	\$8,235,100	\$0

Governor: Reduce MA benefits funding by \$4,117,800 (-\$1,712,400 GPR and -\$2,405,400 FED) in 2003-04 and by \$4,117,300 (-\$1,712,400 GPR and -\$2,404,900 FED) in 2004-05 to reflect projected savings that would result by reducing the personal needs allowance from \$45 to \$30 per month. Specify that this change would take effect on July 1, 2003, or on the first day of the first month beginning after the bill's publication, whichever is later.

Under federal law, institutionalized individuals whose care is supported by MA must be allowed to retain a minimum of \$30 per month to support personal needs expenses. In Wisconsin, many MA enrollees in nursing facilities, intermediate care facilities, hospitals, or other public institutions may retain \$45 of unearned income to support their personal needs. These individuals typically "spend down" to qualify for MA support or qualify for MA because their income does not exceed 300% of the federal supplemental security income (SSI) payment level. Other MA enrollees in institutions who receive SSI and have no other sources of income may retain \$30 per month for their personal needs.

Joint Finance/Legislature: Delete provision.

30. MA PAYMENTS -- HOSPITAL PAYMENTS FOR MILWAUKEE COUNTY GENERAL ASSISTANCE MEDICAL PROGRAM

FED	\$3,000,000
PR	<u>2,139,400</u>
Total	\$5,139,400

Joint Finance/Legislature: Provide \$2,139,400 PR and \$3,000,000 FED in 2004-05 to reflect an increase in the amount that DHFS may receive from Milwaukee County as an intergovernmental transfer (IGT) for Milwaukee County's general assistance medical program (GAMP).

Under current law, DHFS is authorized to receive \$4,660,000 annually from Milwaukee County as an IGT payment. This revenue is deposited in a PR appropriation in DHFS and matched with federal MA funds (approximately \$6.5 million) and distributed to eligible hospitals in Milwaukee County as reimbursement for services provided by the hospitals and originally paid under GAMP. These hospitals then reimburse Milwaukee County for any payments made under GAMP.

Under this provision, the amount that DHFS may receive, as IGT from Milwaukee County, would increase to \$6,799,400 PR, beginning in 2004-05. It is estimated that federal funds available as match to this revenue could total approximately \$9.5 million, beginning in 2004-05 annually.

The amount of federal funds that would be available would depend on the amount of payments originally paid to these hospitals under GAMP. Therefore, before DHFS can use the IGT funds to match federal funds, it must first verify that sufficient payments were made to eligible hospitals under GAMP. Additionally, this increase is subject to federal approval as an amendment to the state's MA plan.

Health Care Financing -- Nursing Homes

1. NURSING HOME RATE INCREASES AND BED ASSESSMENT [LFB Paper 400]

	Governor (Chg. to Base)	Jt. Finance (Chg. to Gov)	Legislature (Chg. to JFC)	Veto (Chg. to Leg)	Net Change
SEG-REV	\$87,436,700	- \$32,794,900	\$15,593,200	\$0	\$70,235,000
GPR	- \$8,119,300	\$7,959,200	\$0	- \$7,959,200	- \$8,119,300
FED	57,059,100	22,321,300	7,956,100	- 11,167,500	76,169,000
SEG	101,603,800	- 44,895,900	5,670,700	0	62,378,600
PR	<u>7,999,600</u>	<u>- 178,300</u>	<u>0</u>	<u>0</u>	<u>7,821,300</u>
Total	\$158,543,200	- \$14,793,700	\$13,626,800	- \$19,126,700	\$138,249,600

Governor: Provide \$72,903,300 (-\$12,124,400 GPR, \$29,080,400 FED, \$4,176,000 PR, and \$51,771,300 SEG) in 2003-04 and \$85,639,900 (\$4,005,100 GPR, \$27,978,700 FED, \$3,823,600 PR, and \$49,832,500 SEG) in 2004-05 to reflect the net effect of: (a) increasing MA reimbursement to nursing homes; and (b) substituting GPR MA base funding with additional segregated revenue from the MA trust fund the state would collect by modifying the nursing home bed assessment.

Funding Changes

Nursing Home Rate Increases. Provide \$13,011,300 SEG in 2003-04 and \$25,651,500 SEG in 2004-05 to increase nursing home rates by approximately 3.3% in 2003-04 and by an additional 3.3% in 2004-05. (The federal matching funds relating to this item, \$18,277,100 FED in 2003-04 and \$36,025,600 FED in 2004-05, are not included in the bill.)

Pay Back Facilities for Assessment Increase. Provide \$49,782,300 (\$20,702,000 SEG and \$29,080,400 FED) in 2003-04 and \$47,931,300 (\$19,952,600 SEG and \$27,978,700 FED) in 2004-05 to increase reimbursement to facilities to partially offset the additional costs they would incur to pay the assessments.

Increase Funding for State Centers. Provide \$4,176,000 PR in 2003-04 and \$3,823,600 PR in 2004-05 to increase funding for the state centers for the developmentally disabled to pay the proposed increase in the bed assessment.

Substitute GPR MA Base Funding with SEG Funding. Reduce MA base funding by \$12,124,400 GPR and increase MA base funding by \$12,124,400 SEG in 2003-04 and increase MA base funding by \$4,005,100 GPR and decrease MA base funding by \$4,005,100 SEG in 2004-05 to use a portion of the additional revenue that would result by increasing the bed assessment to reduce GPR-funded MA benefits costs.

Increase SEG Funding for MA Benefits. Provide \$5,933,600 SEG in 2003-04 and \$8,233,500 SEG in 2004-05 to increase MA benefits funding. (This funding increase, which equals the administration's estimate of reduced revenues that the state will receive under the current nursing home IGT program, was inadvertently included in the bill.)

Revenue Effect. Increase estimates of revenue that would be deposited to the MA trust fund by \$45,837,700 in 2003-04 and by \$41,599,000 in 2004-05, which includes: (a) increases in revenue to the MA trust fund from the bed assessment (\$51,771,300 in 2003-04 and \$49,832,500 in 2004-05) and; (b) a reduction in estimated claims the state would make under the nursing home intergovernmental transfer (IGT) program (-\$5,933,600 in 2003-04 and -\$8,233,500 in 2004-05).

Statutory Changes

Increase Bed Assessment Revenue. Expand the current assessment on occupied, licensed beds of nursing homes and facilities to apply the assessments to all licensed beds, including beds occupied by residents whose costs are paid under the federal Medicare program. Repeal the current provision that exempts state- and federally-owned and operated facilities from the assessment. Specify that the number of licensed beds in a nursing home includes any number of beds that have been delicensed but not deducted from the nursing home's licensed bed capacity.

Increase the assessment on nursing home beds from \$32 per month to \$116 per month and on ICF-MR beds from \$100 per month to \$435 per month in 2003-04 and to \$445 per month in 2004-05.

Deposit Assessment Revenue to the MA Trust Fund. Provide that all revenue collected from the assessment in excess of \$14,300,000 in 2003-04 and in excess of \$13,800,000 in 2004-05 would be deposited to the MA trust fund. As under current law, the rest would be deposited to the general fund. Specify that, beginning July 1, 2005, in each fiscal year, 45% of the total revenue from the assessments would be deposited to the MA trust fund. Currently, all revenue from the assessment is deposited to the general fund.

Rules. Require DHFS to submit proposed rules relating to these provisions to the staff of the Legislative Council by the first day of the fourth month beginning after the bill's general effective date. Authorize DHFS to promulgate the rules as emergency rules without making a finding that an emergency exists.

Initial Applicability. Specify that these changes would first apply to assessments that are due on the first day of the second full calendar month after the bill's general effective date.

Joint Finance: Decrease funding by \$12,827,900 (\$2,729,500 GPR, \$3,661,700 FED, -\$19,067,700 SEG, and -\$151,400 PR) in 2003-04 and by \$1,965,800 (\$5,229,700 GPR, \$18,659,600 FED, -\$25,828,200 SEG, and -\$26,900 PR) in 2004-05 and reduce estimated revenue to the MA trust fund by \$16,629,000 in 2003-04 and by \$16,165,900 in 2004-05 to reflect the following modifications.

Nursing Home Rate Increase and Payback to Facilities. Reduce funding by \$6,742,900 (\$2,729,500 GPR, \$3,661,700 FED, and -\$13,134,100 SEG) in 2003-04 and increase funding by \$6,294,600 (\$5,229,700 GPR, \$18,659,600 FED, and -\$17,594,700 SEG) in 2004-05 to: (a) support a 3.2% nursing home rate increase in 2003-04 and an additional 3.2% increase in 2004-05; and (b)

reflect reestimates of reimbursements to facilities to offset the additional costs of the bed assessment.

Assessment Amount. Reduce the amount of the assessment on all licensed nursing facility beds from \$116 per month, as recommended by the Governor, to \$75 per month.

Funding for State Centers. Decrease funding for the state centers for the developmentally disabled by \$151,400 PR in 2003-04 and by \$26,900 PR in 2004-05 to reflect a reestimate of the costs the centers would incur in paying the assessment.

SEG Funding for MA Benefits. Delete \$5,933,600 SEG in 2003-04 and \$8,233,500 SEG in 2004-05 that was inadvertently included in the bill and represents the administration's estimates of reduced revenues that the state would receive under the nursing home IGT program.

Statutory Changes

Waiver Request and Report. Require DHFS to develop and submit to the Joint Finance Committee, within 60 days of enactment of the bill: (a) a waiver proposal that would exempt certain facilities with a high proportion of private-pay residents or MA-supported residents from the bed assessment; and (b) a report on the feasibility of exempting private-pay residents from the bed assessment.

Initial Applicability. Specify that the bed assessment would first be effective on July 1, 2003, rather than on the first day of the second full calendar month after the bill's general effective date.

Senate/Legislature: Provide an additional \$4,109,300 (\$1,708,800 SEG and \$2,400,500 FED) in 2003-04 and \$9,517,500 (\$3,961,900 SEG and \$5,555,600 FED) in 2004-05 and increase estimated revenues to the MA trust fund by \$6,889,600 in 2003-04 and by \$8,703,600 in 2004-05 to: (a) reflect revised estimates of the costs of funding a 3.2% annual increase in nursing home rates in the 2003-05 biennium; and (b) eliminate the double-counting of the loss of intergovernmental transfer (IGT) revenues as a result of the nursing home bed assessment and rate increase.

The increase in estimated revenues to the MA trust fund represents the sum of an increase in current nursing home IGT claiming (\$2,105,100 in 2003-04 and \$1,839,900 in 2004-05) and an increase in nursing home bed assessment revenues (\$4,784,500 in 2003-04 and \$6,863,700 in 2004-05).

Provide a refundable income tax credit for nursing home residents who pay the bed assessment. The tax credit would be allowed on \$43 per month (the difference between \$75 and \$32) and would first be available for tax year 2003 for bed assessments paid on or after July 1, 2003. The credit would be paid through a sum-sufficient GPR appropriation at an estimated cost of \$2,200,000 in 2003-04 and \$4,400,000 in 2004-05. [The fiscal effect of this item is summarized under "General Fund Taxes."]

Veto by Governor [C-9 and C-10]: Delete the GPR funding added by the Legislature to support a portion of the rate increase by reducing the MA benefits appropriation by \$2,729,500 GPR in 2003-04 and by \$5,229,700 GPR in 2004-05. Federal MA benefits funding is estimated to decrease by \$3,834,200 in 2003-04 and \$7,333,300 in 2004-05 because of this partial veto. The administration estimates that the remaining funding budgeted for nursing home rate increases would support rate increases of approximately 2.6% per year.

In addition, delete the Senate provision that would have provided a refundable income tax credit for nursing home residents who pay the bed assessment. [The fiscal effect of the Governor's partial veto is summarized under "General Fund Taxes."]

Finally, the Governor's partial veto deletes the provision relating to the waiver request and report.

[Act 33 Sections: 866, 1476 thru 1481, 9124(3)&(11pd), 9324(4), and 9424(11pd)]

[Act 33 Vetoed Sections: 286 (as it relates to s. 20.435(4)(b) and 20.835(2)(e)), 666m, 1580r thru 1580w, 9124(11k), 9124(11p), 9345(4f), and 9445(3f)]

2. REDUCE NURSING HOME SUPPLEMENTAL PAYMENTS

FED	- \$46,730,000
SEG	- 33,270,000
Total	- \$80,000,000

Governor/Legislature: Reduce MA benefits funding by \$40,000,000 (-\$16,634,000 SEG and -\$23,366,000 FED) in 2003-04 and by \$40,000,000 (-\$16,636,000 SEG and -\$23,364,000 FED) in 2004-05 to reduce supplemental payments to county- and municipally-operated nursing homes.

Under current law, if the state receives less than one dollar of federal matching funds based on intergovernmental transfers (IGT funds) in a state fiscal year, DHFS is limited to distributing \$37,100,000 in supplemental payments to county- and municipally-operated homes in that year. However, if the state receives at least one dollar of IGT revenues, DHFS may distribute up to \$77,100,000 in supplemental payments in that year. This provision would: (a) reduce supplemental payment levels to a maximum of \$37,100,000 annually, regardless of the amount of IGT revenues collected in any year, beginning July 1, 2003; and (b) allow supplemental payments to be made to care management organizations, in addition to county- and municipally-operated nursing facilities. These changes would be take effect retroactively to July 1, 2003.

[Act 33 Sections: 1363, 1364, and 9424(7)]

3. NURSING HOMES -- LABOR REGION ADJUSTMENT [LFB Paper 401]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
FED	- \$600,400	\$600,400	\$0
SEG	- 427,400	427,400	0
Total	- \$1,027,800	\$1,027,800	\$0

Governor: Reduce MA benefits funding by \$513,900 (-\$213,700 SEG from the MA trust fund and -\$300,200 FED) annually to reflect the projected savings that would result by eliminating the requirement that DHFS use the Medicare hospital cost index to calculate the labor region adjustment for nursing homes in St. Croix, Douglas, and Pierce Counties. Specify that this change would take effect retroactively to July 1, 2003. The current requirement was enacted as part of 2001 Wisconsin Act 109 and first applied to 2002-03 MA payments to nursing homes in those three counties.

Under current law, DHFS is required to establish standards for payment of allowable direct care costs that are based on direct care costs for all facilities, as adjusted to reflect regional labor cost variations. Currently, DHFS is required to use, for all facilities in the state -- with the exception of facilities in St. Croix, Douglas, and Pierce Counties -- a labor region adjustment that uses the Medicare labor region designations, weighted to MA patient day costs, based on Wisconsin facility-specific average wages, excluding county-owned nursing homes. Nursing homes in St. Croix, Douglas, and Pierce Counties have a labor region adjustment to their allowable direct care costs that is based on the Medicare hospital cost index.

Joint Finance/Legislature: Delete provision, but add a reference to MA payments for allowable direct care costs.

[Act 33 Section: 1346d]

4. NURSING HOME REIMBURSEMENT METHODS

Governor: Make the following statutory changes to the methods DHFS uses to reimburse nursing homes for the care they provide to MA enrollees.

Pay Nursing Homes on a Flat-Rate Basis for Certain Costs. Beginning on the bill's general effective date, require DHFS to make a flat-rate payment for nursing home costs, as determined by DHFS, for personal comfort supplies and allowable support service costs.

Beginning July 1, 2004, require DHFS to make a flat-rate payment for: (a) personal comfort supplies; (b) medical supplies; (c) over-the-counter drugs; and (d) nonbillable services of a ward clerk, activity person, recreation person, social worker, volunteer coordinator, teacher for residents aged 22 and older, vocational counselor for residents aged 22 and older, religious person, therapy aide, therapy assistant, and counselor on resident living; and (e) allowable fuel and utility costs, including electrical, water and sewer services, and heat.

Combine Current Cost Centers. Effective July 1, 2004, combine three separate cost centers -- support services, fuel and utilities, and administrative/general -- into a single cost center. After July 1, 2004, DHFS would make cost-based payments for the following cost centers: (a) nonbillable services provided by registered nurses, licensed practical nurses, and nurse's assistants; (b) property tax or municipal services; (c) interest expenses; and (d) capital payments.

Cost Center for Property Taxes and Municipal Services. Repeal the current definition of "net property tax," which is defined as the property tax from which the Wisconsin property tax credit has been deducted. Specify that this cost center would be the property tax or municipal service costs paid by the owner of the facility for the facility, rather than the net property tax or allowable municipal service costs incurred by the owner of the facility for the facility, as provided under current law.

Use of Most Recently Completed Cost Reports. Require DHFS to base rates on information from cost reports for the most recently completed fiscal year of the facility and delete obsolete references to the use of cost reports in previous fiscal years.

Calculation of Payment Rates. Require DHFS to calculate a payment rate for a facility by applying criteria set forth under the remaining cost centers to information from cost reports submitted by the facility, as affected by any adjustment for ancillary services and materials.

These statutory changes are intended to simplify the nursing home cost center reimbursement formula to reflect a transition from a cost-based system to a flat-rate system for certain costs. Currently, DHFS establishes a single rate for each nursing facility based on seven different cost centers -- direct care, support services, administrative and general expenses, fuel and utilities, property taxes, capital costs, and over-the-counter drugs. DHFS staff determine the nursing home-specific rates based on information contained in cost reports that are submitted annually by nursing facilities.

Joint Finance/Legislature: Adopt the Governor's recommendations, except alter the nursing home formula to ensure that the same proportionate share of nursing home funding that is allocated to support the direct care cost center in 2002-03 would be maintained under the proposed reimbursement formula.

Veto by Governor [C-9]: Delete the provision that would require that the same proportionate share of nursing home funding that is allocated to support the direct care cost center in 2002-03 would be maintained under the proposed reimbursement formula.

[Act 33 Sections: 1327, 1329 thru 1359, and 9424(6)&(7)]

[Act 33 Vetoed Sections: 1333d and 9424(7)]

5. REDUCE USE OF NURSING HOMES FOR THE PROVISION OF LONG-TERM CARE
[LFB Paper 379]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
FED	\$3,016,400	0.50	- \$3,016,400	- 0.50	\$0	0.00
PR	105,700	0.50	- 105,700	- 0.50	0	0.00
SEG	<u>2,177,900</u>	<u>0.00</u>	<u>- 2,177,900</u>	<u>0.00</u>	<u>0</u>	<u>0.00</u>
Total	\$5,300,000	1.00	- \$5,300,000	- 1.00	\$0	0.00

Governor: Provide \$1,756,300 (\$722,400 SEG, \$1,002,100 FED, and \$31,800 PR) in 2003-04 and \$3,543,700 (\$1,455,500 SEG, \$2,014,300 FED, and \$73,900 PR) in 2004-05 and 1.0 position (0.5 FED position and 0.5 PR position), beginning in 2003-04, to improve access to community-based, long-term care for elderly, physically disabled, and brain-injured nursing home residents and to provide an incentive for nursing homes to engage in phase-down and relocation activities.

County Funding Allotments. Provide one-time funding for eligible nursing homes that agree to reduce the number of their licensed beds (\$690,600 SEG and \$970,300 FED in 2003-04 and \$1,381,600 SEG and \$1,940,400 FED in 2004-05).

Quality Assurance and DHFS Staff. Provide funding to support: (a) a contracted quality assurance position in the Bureau of Developmental Disabilities Services, beginning in 2003-04, to provide oversight to the waiver programs (\$13,100 SEG and \$13,100 FED in 2003-04, and \$52,300 SEG and \$52,300 FED in 2004-05); and (b) 1.0 budget and policy analyst position (0.5 GPR position and 0.5 FED position) and associated supplies and services funding to conduct activities relating to reducing the use of nursing homes for the provision of long-term care (\$18,700 FED, \$31,800 PR, and \$18,700 SEG in 2003-04, and \$21,600 FED, \$73,900 PR, and \$21,600 SEG in 2004-05).

Joint Finance/Legislature: Delete provision. However, specify that if, before July 1, 2005, sufficient federal MA funds are available to support this item at the funding level recommended by the Governor, DHFS would be required to report this to the Legislature and include any proposed legislation to implement this item.

Veto by Governor [C-7]: Delete the requirement that DHFS report to the Legislature if sufficient federal MA funds are available to support this item at the funding level recommended by the Governor.

[Act 33 Vetoed Section: 9124(11f)]

6. LIMIT PLACEMENT OF INDIVIDUALS WITH DEVELOPMENTAL DISABILITIES IN ICFS-MR AND NURSING HOMES [LFB Paper 402]

	Funding	Positions
GPR	- \$385,100	0.50
FED	<u>673,200</u>	<u>0.50</u>
Total	\$1,058,300	1.00

Governor: Reduce funding by \$53,800 GPR in 2003-04 and increase funding by \$1,112,100 (\$438,900 GPR and \$673,200 FED) in 2004-05 and provide 1.0 position (0.5 GPR position and 0.5 FED position), beginning in 2004-05, to reflect the net fiscal effect of the Governor's proposal to increase access to community-based, long-term care for individuals with developmental disabilities and to provide an incentive for intermediate care facilities for the mentally retarded (ICFs-MR) to reduce the number of their licensed beds.

Statutory Changes

Restrict Institutional Admissions. Prohibit a person from placing an individual with a developmental disability in an ICF-MR, and prohibit an ICF-MR from admitting an individual, unless, before the placement or admission, a court finds that the placement under a plan for home or community-based care is not in the individual's best interests. Require an ICF-MR, within five days after receiving an application for an admission, to notify the county department of the applicant's residence concerning the application.

Provide that if DHFS or an entity determines from a screen that an individual requires active treatment for developmental disability, no individual may be placed in a nursing facility, and no nursing facility may admit the individual, unless it is determined from the screening that the individual's need for care cannot fully be met in an ICF-MR or under a plan for home and community-based care.

Specify that these provisions would not apply to emergency placements and temporary placements.

Require a county department that participates in CIP IB to develop a plan for providing home or community-based care to an individual in a noninstitutional community setting under any of the following circumstances: (a) within 90 days after it is determined that the level of care required by a resident that is provided by a facility could be provided in an ICF-MR or under the home or community-based care plan; (b) within 90 days after the county receives notice of an application for an admission to an ICF-MR; (c) within 90 days after a proposal is made to place the individual in an ICF-MR or nursing facility; (d) within 90 days after receiving a written notice of the placement of the individual in a nursing home or ICF-MR; or (e) within 60 days after extension of a temporary placement order.

Modify current provisions regarding preadmission screenings to specify that if DHFS or an entity determines that an individual requires active treatment for a developmental disability, DHFS or the entity would determine whether the level of care required by the individual that is provided by a nursing facility could be provided safely in an ICF-MR or under the plan for home-or community-based care.

County Liability for Non-Federal Care Costs. Modify current statutes that require a county to pay a portion of the costs of services provided to individuals at the intensive treatment programs (ITPs) at the state centers for the developmentally disabled to instead require a county to provide the portion of payment that is not provided by the federal government for ITP services, as well as for services in ICFs-MR other than the state centers and for permissible services that are provided in nursing facilities. Specify that counties would be required to make this payment for these services unless the individual who receives services is protectively placed or is under an emergency or temporary placement.

These provisions would only apply if an individual was placed in, or admitted to, a nursing home or ICF-MR after the placing board considered a plan for home or community care and rejected the plan or found it would not meet the person's needs.

Petitions for Placements. Require a court to notify the appropriate county department to develop a plan for home and community care for a person who is about to be protectively placed. Require a court to request a statement or testimony from the county department as to whether the individual's needs could be met in a noninstitutional setting. Provide that, if the county board proposes to place an individual who has a developmental disability in an ICF-MR or nursing facility under a protective placement order, the county would be required to develop a home or community-based care plan and furnish the plan to the county board or agency and to the individual's guardian. Require the county board or agency to place the individual in a noninstitutional community setting in accord with the plan unless the court finds that to do so is not in the individual's best interests. Provide that, if the individual or the individual's guardian rejects the plan, the court must consider the rejection in determining whether or not the placement is in the individual's best interests. Finally, permit a court to extend a temporary placement up to 60 days to allow a county to develop a plan of community care.

Initial Applicability and Effective Dates. These provisions would first apply to preadmission screenings and resident reviews performed, petitions for protective placements filed, transfers of protectively placed individuals, annual reviews of protectively placed individuals, temporary protective placements, and services provided by counties on April 1, 2004.

The provisions relating to placements and admissions to ICFs-MR and nursing facilities would take effect on January 1, 2004.

Funding Changes

County Funding Allotments. Provide \$375,800 (\$156,300 GPR and \$219,500 FED) in 2004-05 to provide counties funding amounts equal to the MA fee-for-service costs for institutional services to individuals with developmental disabilities in ICFs-MR and nursing homes, which counties could use to either continue to pay for institutional care or community-based services under the CIP IB program.

CIP IB Slots. Provide \$341,900 (\$142,200 GPR and \$199,700 FED) in 2004-05 to support 25 additional CIP IB slots in 2004-05, which would be administered separately from other CIP IB slots and would be distributed to counties to address community placement needs arising from

the denial of new ICF-MR admissions not matched by decreases in institutional users, and the relocation of individuals with developmental disabilities who live in nursing homes.

ICF-MR Incentives. Provide \$355,600 (\$147,900 GPR and \$207,700 FED) in 2004-05 to provide as incentive payments to ICFs-MR that enter into phase-down agreements with DHFS in the biennium.

Staff. Provide \$42,600 (\$21,300 GPR and \$21,300 FED) in 2004-05 to fund 1.0 contract specialist, beginning in 2004-05 to implement this proposal.

Information Systems. Provide \$50,000 (\$25,000 GPR and \$25,000 FED) in 2004-05 to fund information systems changes that would enable staff to identify the county of residence and responsibility for all MA eligible individuals who seek admission to either ICFs-MR or nursing homes.

Eliminate Funding for Services Provided to the Former Residents of the Christian League for the Handicapped. Delete \$53,800 GPR annually that DHFS currently provides to Walworth County to support community-based services for individuals who formally resided at the Christian League for the Handicapped in Walworth County on the date that facility ended its participation in the MA program. However, the bill would not repeal the current statutory provision that requires DHFS to pay the county \$53,800 annually for services it provides to these individuals.

Joint Finance/Legislature: Modify the Governor's recommendations by: (a) repealing the statutory requirement that DHFS make payments for services for individuals that were formerly served by the Christian League for the Handicapped; (b) establishing an effective date of January 1, 2005, rather than January 1, 2004, to be consistent with the funding the Governor recommended for this item; (c) delaying the initial applicability dates relating to preadmission screenings, resident reviews, petitions for protective placements, transfers, annual reviews, and county services from April 1, 2004, to May 1, 2005, and for extension of temporary protective placements from April 1, 2004, to April 1, 2005; (d) extending from 90 days to 120 days specified periods by which county departments would be required to develop a plan for providing home- and community-based care to individuals in a noninstitutional setting; (e) requiring that a court must use "the most integrated setting appropriate to the needs of the individual, taking into account information presented by all affected parties" rather than the "in the individual's best interest" standard with respect to these provisions; and (f) defining "most integrated setting" as a setting that enables an individual to interact with persons without developmental disabilities to the fullest extent possible.

In addition, require DHFS to contract with a public or private agency to develop a long-term care plan, rather than require a county department to develop such a plan, for residents identified in the contract, who: (a) reside in a county with a population of less than 100,000 in which two intermediate care facilities that are licensed as nonprofit organizations and are exempt from federal income taxation are located; and (b) are placed in, or proposed to be placed in, an intermediate care facility described above that has agreed to reduce its licensed bed capacity to an extent and according to a schedule acceptable to the facility and the department.

Specify that DHFS would be responsible for the non-federal share of ICF-MR, nursing home, and intensive treatment program costs for certain MA-eligible individuals with developmental disabilities described in (a) and (b) above, according to provisions in the contract.

[Act 33 Sections: 1131, 1132, 1159c, 1321 thru 1326, 1383 thru 1388, 1401, 1402, 1504 thru 1515, 9324(5) thru (9),(11), and 9424(5)]

7. KILBOURN CARE CENTER -- SUPPLEMENTAL PAYMENTS

Senate/Legislature: Require DHFS to allocate \$405,100 GPR in 2003-04 and \$405,500 GPR in 2004-05 from funding budgeted in the MA benefits appropriation as a payment to Milwaukee County to support a two-year demonstration project that involves a nursing facility that: (a) has between 80 and 90 licensed beds; (b) has at least 90% of its residents supported by MA; and (c) is located in the City of Milwaukee. Kilbourn Care Center would likely meet all of these criteria.

Veto by Governor [C-18]: Delete provision.

[Act 33 Vetoed Section: 9124(13k)]

Health Care Financing -- Administration

1. MA CONTRACTS AND CARES FUNDING

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$6,312,200	- \$1,823,300	\$4,488,900
FED	11,341,600	- 1,823,300	9,518,300
PR	<u>5,312,000</u>	<u>0</u>	<u>5,312,000</u>
Total	\$22,965,800	- \$3,646,600	\$19,319,200

Governor: Provide \$10,135,800 (\$2,652,000 GPR, \$4,977,800 FED, and \$2,506,000 PR) in 2003-04, and \$12,830,000 (\$3,660,200 GPR, \$6,363,800 FED, and \$2,806,000 PR) in 2004-05 to fund projected increases in the cost of MA contracts and the client assistance for re-employment and economic support system (CARES). Further, authorize DHFS to pay administrative contract costs of the food stamps program from the GPR- and FED-funded MA contracts administration appropriations.

Administration Contracts. Provide \$4,460,400 (\$938,400 GPR and \$3,522,000 FED) in 2003-04 and \$6,219,700 (\$1,585,000 GPR and \$4,634,700 FED) in 2004-05 to support the MA fiscal agent contract and other MA administration contracts.

CARES. Provide \$3,026,900 (\$616,500 GPR, \$510,800 FED, and \$1,899,600 PR) in 2003-04 and \$3,812,500 (\$1,074,600 GPR, \$861,800 FED, and \$1,876,100 PR) in 2004-05 to support administration of the CARES system. CARES determines eligibility for the MA, BadgerCare, SSI Caretaker Supplement, Family Care, SeniorCare, W-2, and child care programs. CARES costs are comprised of direct and cost-allocated charges, the latter of which are allocated among the supported programs according to the number of recipients in the program.

SeniorCare. Provide \$2,500,000 (\$585,600 GPR, \$498,500 FED, and \$1,415,900 PR) in 2003-04 and \$2,589,200 (\$606,600 GPR, \$516,400 FED, and \$1,466,200 PR) in 2004-05 to support administrative costs for SeniorCare. In addition, provide \$100 (\$437,300 GPR, \$372,300 FED, and -\$809,500 PR) in 2003-04 and provide \$0 (\$289,700 GPR, \$246,600 FED, and -\$536,300 PR) in 2004-05 to reflect a decrease in program revenues generated from enrollee fees that support administrative costs for SeniorCare.

Family Planning Waiver. Provide \$148,400 (\$74,200 GPR and \$74,200 FED) in 2003-04 and \$208,600 (\$104,300 GPR and \$104,300 FED) in 2004-05 to support the administrative costs of the family planning waiver program. In June, 2002, DHFS received federal approval to provide MA family planning benefits to women between the ages 15 and 44 years with countable income below 185% of the federal poverty level. The program went into effect on January 1, 2003.

Joint Finance/Legislature: Reduce funding for MA and BadgerCare contract costs by \$1,221,800 (-\$610,900 GPR and -\$610,900 FED) in 2003-04 and by \$2,424,800 (-\$1,212,400 GPR and -\$1,212,400 FED) in 2004-05.

[Act 33 Sections: 455, 461, and 463]

2. INCOME MAINTENANCE -- FUNDING [LFB Paper 405]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$10,144,100	\$1,822,300	-\$8,321,800
FED	<u>-10,144,100</u>	<u>6,042,300</u>	<u>-4,101,800</u>
Total	-\$20,288,200	\$7,864,600	-\$12,423,600

Governor: Reduce funding by \$6,823,200 (-\$3,411,600 GPR and -\$3,411,600 FED) in 2003-04 and by \$13,465,000 (-\$6,732,500 GPR and -\$6,732,500 FED) in 2004-05 to reflect the net effect of three items relating to funding the state provides to counties to support income maintenance function. "Income maintenance" refers to eligibility management functions associated with federal entitlement programs such as MA, food stamps, the SSI caretaker supplement, and burial and cemetery aids.

Eligibility Determination Processing Changes. Reduce funding by \$1,759,800 (-\$879,900 GPR and -\$879,900 FED) in 2003-04 and by \$3,519,600 (-\$1,759,800 GPR and -\$1,759,800 FED) in 2004-05 to reflect projected savings that would result by implementing the following changes in processing eligibility determinations: (a) reducing verification requirements; (b) reducing the

frequency of eligibility reviews; (c) improving access to automated tools for internet, mail, and phone contacts; and (d) amending change reporting requirements. Beginning in calendar year 2004, DHFS would reduce county income maintenance contracts by approximately \$24 per managed case to reflect projected savings due to simplifying the eligibility determination process.

Transfer Most MA-Only Cases to the State. Reduce funding by \$5,241,200 (-\$2,620,600 GPR and -\$2,620,600 FED) in 2003-04 and by \$10,482,200 (-\$5,241,100 GPR and -\$5,241,100 FED) to reflect estimated savings that would result by transferring 75% of the MA-only caseload (approximately 90,000 cases) from local income maintenance agencies to the central state processing center. This administration estimates that this change would reduce the average cost of processing these cases from approximately \$242 per case to \$126 per case. Beginning in calendar year 2004, DHFS would reduce county income maintenance contracts by approximately \$242 per case that is transferred to the central state processing center.

Rate Increase. Increase funding by \$177,800 (\$88,900 GPR and \$88,900 FED) in 2003-04 and by \$536,800 (\$268,400 GPR and \$268,400 FED) in 2004-05 to fund a 2% annual rate increase to the county income maintenance contracts in calendar year 2004 and 2005 after accounting for allocation reductions due to the proposed processing changes and the transfer of MA-only cases to the state.

Joint Finance/Legislature: Delete provision. Instead, increase funding in the bill by \$3,361,500 (\$563,500 GPR and \$2,798,000 FED) in 2003-04 and \$4,503,100 (\$1,258,800 GPR and \$3,244,300 FED) in 2004-05 to reflect the following changes to the base funding for income maintenance functions.

Federal Funding Reestimate. Delete \$1,198,600 GPR and provide \$1,198,600 FED in 2003-04 and delete \$1,187,800 GPR and provide \$1,187,800 FED in 2004-05 to reflect the higher federal matching rate that DHFS has been able to claim for administrative costs related to BadgerCare.

Workload Reduction Change. Reduce funding by \$5,171,900 (-\$2,491,200 GPR and -\$2,680,700 FED) in 2003-04 and by \$12,278,900 (-\$5,919,800 GPR and -\$6,359,100 FED) in 2004-05 to reflect projected savings that would result from implementing a number of policy, process, and CARES changes that are intended to reduce workload for counties and tribes.

Central Change Centers. Reduce funding by \$338,500 (-\$162,800 GPR and -\$175,700 FED) in 2003-04 and by \$683,800 (-\$328,200 GPR and -\$355,600 FED) in 2004-05 to reflect savings from using a central change reporting center model. Counties could purchase these services from either the state processing center or from the other three counties that operate change centers, or counties could implement changes in their own system to internally achieve these savings. Currently, IM caseworkers handle applications for programs, perform the regular case reviews, and input changes in clients' information into CARES. Dane and Milwaukee Counties currently operate reporting centers and La Crosse County expects to implement a center in 2003.

Increase IM Allocations. Provide \$2,148,700 (\$1,054,500 GPR and \$1,094,200 FED) in 2003-04 and \$4,200,800 (\$2,062,100 GPR and \$2,138,700 FED) in 2004-05 to increase county and tribes' IM allocations, beginning in January, 2004.

State Operations. Reduce funding by \$100,000 (-\$50,000 GPR and -\$50,000 FED) in 2003-04 and by \$200,000 (-\$100,000 GPR and -\$100,000 FED) in 2004-05 for DHFS operations funding to reflect the automation of a portion of the CARES case directory. Currently, the case directory is mailed to the IM agencies, but sending it electronically would save shipping costs.

3. TRANSFER INCOME MAINTENANCE FUNCTIONS

GPR	\$9,100,400
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Governor/Legislature: Make the following changes to the state's program to reimburse counties for cemetery, funeral, and burial expenses for indigent decedents and the administration of income maintenance programs.

Cemetery, Funeral, and Burial Program. Provide \$4,550,200 annually to reflect the transfer, from DWD to DHFS, of funding to support cemetery, burial, and funeral services for deceased individuals who received W-2, supplemental security income (SSI), or MA benefits and have insufficient funds in their estate to cover these costs. Reduce funding budgeted in DWD by the same amount. Authorize DHFS to make payments to counties and tribes to support these costs from the current GPR appropriation that supports county income maintenance activities, and delete references to these costs from the DWD appropriation that supports W-2 administration and benefits.

Income Maintenance Program. Expand the definition of the state's "income maintenance program" to include the cemetery, funeral, and burial program. Clarify that DHFS, rather than DWD, may adjust reimbursement for income maintenance programs for workload changes and computer network activities performed by a county or tribe and may reduce the amount of the reimbursement if federal reimbursement is withheld due to audits, quality control samples, or program reviews. Permit DHFS, under the income maintenance contract, to delegate all or any portion of the eligibility determination function to counties or tribal governing bodies. Currently, DHFS is required to delegate this function to counties and tribal governing bodies.

Specify that all DWD rules that are primarily related to competency standards, including training requirements, for income maintenance workers and that are in effect on the bill's general effective date are transferred to DHFS and remain in effect until their specified expiration dates or until amended or repealed by DHFS.

[Act 33 Sections: 456, 462, 622, 1092, 1105 thru 1108, 1288, 1302 thru 1310, 1313, 1315, 1316, 1377, 1389, 1412, 1450, 1516, 2420, and 9159(1)]

4. FOOD STAMPS [LFB Paper 406]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR-REV	\$0	\$14,300	\$14,300
GPR	- \$571,100	\$315,900	- \$255,200
FED	3,678,100	338,200	4,016,300
PR	- 4,855,500	0	- 4,855,500
Total	- \$1,748,500	\$654,100	- \$1,094,400

Governor: Provide \$189,700 (-\$371,800 GPR, \$2,938,600 FED, and -\$2,377,100 PR) in 2003-04 and reduce funding by \$1,938,200 (-\$199,300 GPR, \$739,500 FED, and -\$2,478,400 PR) in 2004-05 to reflect the net effect of several changes in the funding for food stamps benefits and administration costs.

Benefits to Immigrants. Reduce funding by \$625,000 GPR in 2003-04 and \$561,900 GPR in 2004-05 to reflect a projected decrease in state-funded benefits for qualified immigrants due to a recent federal law change that made certain immigrant groups eligible for federally-funded benefits. This GPR funding is currently used to meet a portion of the state's TANF maintenance-of-effort requirement.

Reinvestment Plan. Provide \$308,300 (\$2,685,400 FED and -\$2,377,100 PR) in 2003-04 and reduce funding by \$2,101,500 (\$376,900 FED and -\$2,478,400 PR) in 2004-05 to fund activities approved by the U.S. Department of Agriculture to reduce the state's food stamp payment error rate as an alternative to paying federal sanctions. The federal amounts would be funded with income augmentation revenues.

Contract Costs. Provide \$506,400 (\$253,200 GPR and \$253,200 FED) in 2003-04 and \$725,200 (\$362,600 GPR and \$362,600 FED) in 2004-05 to fund projected increases in the contracted costs of administering the program.

Funding Transfer. Transfer \$1,000,000 GPR and \$1,000,000 FED annually from the appropriations that support operations of the Division of Health Care Financing to the appropriations that support contracted services relating to the MA program to consolidate funding budgeted for contracted services.

Joint Finance/Legislature: Modify the Governor's recommendation by providing an additional \$270,400 (\$134,100 GPR and \$136,300 FED) in 2003-04 and \$383,700 (\$181,800 GPR and \$201,900 FED) in 2004-05 to reflect the following: (a) reestimates of state food stamp benefits amounts (-\$2,200 GPR in 2003-04 and -\$34,400 GPR in 2004-05); (b) reestimated contract costs (\$136,300 GPR and \$136,300 FED in 2003-04 and \$216,200 GPR and \$216,200 FED in 2004-05); and (c) reinvestment amounts for penalties through federal fiscal year 2001 (-\$14,300 FED in 2004-05). Lapse \$14,300 in federal income augmentation funds to the general fund in 2004-05 to reflect the revised amount of reinvestment penalties through federal fiscal year 2001.

[Act 33 Sections: 9124(9c) and 9224(2c)]

5. AUDITING FOR IMPROPER PAYMENTS

GPR	- \$170,800
FED	- 239,800
Total	- \$410,600

Governor/Legislature: Reduce MA benefits funding by \$410,600 (-\$170,800 GPR and -\$239,800 FED) in 2004-05 to reflect projected savings in MA benefits costs that would result by reassigning 1.0 current position to the Bureau of Health Care Program Integrity to investigate fraudulent MA claims and initiate recoveries of benefit payments.

6. FUNDING CHANGES FOR STAFF IN THE DIVISION OF HEALTH CARE FINANCING

	Funding	Positions
GPR	- \$1,800	- 3.00
FED	- 12,400	- 3.05
PR	<u>720,600</u>	<u>6.05</u>
Total	\$706,400	0.00

Governor/Legislature: Provide \$353,200 (-\$900 GPR, -\$6,200 FED, and \$360,300 PR) annually, and convert 3.00 GPR and 3.05 FED positions to 6.05 PR positions, beginning in 2003-04, to: (a) support the food stamps call center, which responds to questions from county staff, through charges to appropriate programs, rather than to directly fund staff costs with GPR and federal funds DHFS receives for the administration of the food stamp program; and (b) make numerous changes to funding and positions in the Division of Health Care Financing (DHCF) to better reflect the time DHFS spent with programs administered by DHCF in the 2001-03 biennium.

7. MA ADMINISTRATION -- IDENTIFICATION OF INSURANCE

Governor/Legislature: Eliminate the requirement that DHFS make incentive payments to counties to encourage counties to identify other insurance for MA applicants and enrollees and to submit this information to DHFS. The annual funding that was provided in the 2001-03 biennial budget act to support these incentive payments (\$120,000 GPR and \$90,000 FED in MA matching funds) was deleted as part of the Department's November, 2001, plan to reallocate funding reductions for general program operations appropriations, which was approved by the Joint Committee on Finance.

Under federal law, states must take all reasonable measures to ascertain the legal liability of other resources to pay for care and services furnished to MA enrollees, and to establish procedures for paying claims where other resources are available. Currently, the identification of coordination of benefits (COB) resources is a shared responsibility of county income maintenance agencies, child support agencies, district offices of the Social Security Administration, the state's MA fiscal agent, and the state's coordination of benefits unit in DHFS.

[Act 33 Section: 1314]

Community-Based Long-Term Care

1. CIP IB, CIP II AND COP-W SLOTS AND RATES [LFB Paper 379]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
FED	\$73,811,900	- \$73,811,900	\$0
SEG	51,873,900	- 51,873,900	0
Total	\$125,685,800	- \$125,685,800	\$0

Governor: Provide \$41,721,200 (\$16,963,900 SEG and \$24,757,300 FED) in 2003-04 and \$83,964,600 (\$34,910,000 SEG and \$49,054,600 FED) in 2004-05 to support: (a) increasing per diem reimbursements rates to counties for services provided under CIP IB, CIP II, and total allocations under COP-W; (b) additional CIP IB slots, beginning in 2003-04; and (c) additional CIP II/COP-W slots, beginning in 2003-04.

The CIP IB, CIP II and COP-W programs provide enrollees a comprehensive set of community-based services as an alternative to institutional care. The CIP IB program serves individuals with developmental disabilities, while the COP-W and CIP II programs serve individuals who are elderly and individuals who are physically disabled. CIP IB per diem rates are currently \$49.67 and CIP II rates are \$41.86. County COP-W allocations are determined on a calendar-year basis.

Joint Finance/Legislature: Delete provision. However, specify that if, before July 1, 2005, sufficient federal MA funds are available to support this item at the funding level recommended by the Governor, DHFS would be required to report this to the Legislature and include any proposed legislation to implementation this item.

Veto by Governor [C-7]: Delete the requirement that DHFS report to the Legislature if sufficient federal MA funds are available to support items at the funding level recommended by the Governor.

[Act 33 Vetoed Section: 9124(11f)]

2. CIP II ENHANCED RATE

Governor/Legislature: Authorize DHFS to provide counties enhanced reimbursement for CIP II services that a county provides to an individual who is relocated to the community from a nursing home by a county department on or after the bill's general effective date, if the nursing home bed that was used by the individual is delicensed upon relocation by the individual. Require DHFS to develop and utilize a formula to determine the enhanced reimbursement rate.

Under CIP II, counties provide elderly and disabled enrollees a comprehensive set of community-based services as an alternative to institutional care. CIP II slots are created following the closure of a nursing home bed. In 2002-03, DHFS pays counties a maximum daily reimbursement rate of \$41.86 to provide these services.

[Act 33 Section: 1123]

3. REQUIRE COUNTIES TO OFFER CIP II AND CIP IB SERVICES TO CERTAIN NURSING HOME RESIDENTS

Governor: Make the following statutory changes to increase community-based long-term care services provided under the community integration programs (CIP II and CIP IB).

Assessments. Beginning June 1, 2004, require counties that participate in CIP II and CIP IB to conduct a needs and costs-based assessment for individuals who have applied, and qualify for CIP II and CIP IB services, and who indicate that they prefer to receive services in the community. Require a county to initiate the assessment before the resident has resided in the nursing home for 90 continuous days or before the cost of the resident's nursing home care has been paid by MA for 30 days, whichever is longer. Require the county to complete the assessment within 90 days after initiating it, and to contact DHFS regarding available funding.

Specify that if DHFS determines that costs for home or community-based services for the nursing home resident, as determined by the assessment, are equal to or less than a specified amount, the county would be required to offer, and, if accepted, provide, CIP II and CIP IB services to the nursing home resident, if the cost of the resident's nursing home care has been paid under MA for at least 30 days. Alternatively, if DHFS determines that the costs for CIP II and CIP IB services for the individual exceed the specified amount, DHFS would ascertain whether additional funding is available and, if the cost of the resident's nursing home care has been paid by MA for at least 30 days, the county would be required to offer and, if accepted, provide, CIP II and CIP IB services to the nursing home resident.

Provide that, if a county fails to complete the assessment or offer CIP II or CIP IB services as described above, it would be required to pay the nonfederal share of MA for the individual's nursing home care, unless the nursing home resident refused to participate in the assessment or the assessment determined that participation was not feasible.

Calculation of Funding Allocation -- Cost Neutrality. Specify that the funding amount DHFS would pay to a county to provide services for an individual who is relocated from a nursing home under these provisions would be no more than the per-person, per-day payment rate at the individual's level-of-care requirement for the nursing home, indexed annually by the percentage of any annual nursing home average rate increase, minus the amount that is obtained by subtracting the average annual costs for allowable charges that are payable on behalf of individuals in nursing homes from the average annual costs per MA recipient for the allowable charges payable on behalf of individuals who are relocated into communities from nursing homes. However, specify that, notwithstanding this funding limitation, the funding

amount could include, in addition to the amount calculated above, an amount that does not exceed the sum obtained by subtracting the total of all payments made for home or community-based services for nursing home residents who are relocated under this provision from the amount that would be available under that calculation. Specify that funding to a county is available only during the period in which a relocated individual continues to receive home or community-based care.

Relocation Activities. Authorize DHFS to provide funding to counties from the MA trust fund to support the costs of administrative relocation activities and to provide additional funding to support services provided to nursing home residents relocated to the community who may have average costs of care that are higher than current MA-waiver rates.

Reporting Requirement. Repeal the current requirement that a county submit a plan for delicensing a bed of an institution or ICF-MR from which an individual is relocated to the community under CIP IB.

Effective Date. Specify that all of these changes would take effect on June 1, 2004, except that DHFS would be authorized to provide funding for relocation activities beginning January 1, 2004, and the reporting requirement would be repealed on January 1, 2004.

Joint Finance/Legislature: Delete provision.

4. COMMUNITY SUPPORT PROGRAM [LFB Paper 379]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
SEG	\$872,600	- \$872,600	\$0

Governor: Provide \$872,600 from the MA trust fund in 2004-05 to increase funding to counties that provide the state's share of MA program benefits to MA recipients who receive services under community support programs (CSP). Make statutory changes to authorize DHFS to use revenue from the MA trust fund for this purpose.

The community support program is a county-administered program that provides community-based, individualized services, including coordinated care, treatment, rehabilitation and support services, to adults with serious and persistent mental illness. Currently, counties provide the state match for federal MA funds for eligible services provided to MA recipients. In addition, 2001 Wisconsin Act 16 provided \$500,000 GPR in 2001-02 and \$1,000,000 GPR in 2002-03 to provide state funding for CSP services.

The administration estimates that the amount of additional funding that would be provided in this item would be sufficient to eliminate current waiting lists for the program.

Joint Finance/Legislature: Delete provision. However, specify that if, before July 1, 2005, sufficient federal MA funds are available to support this item at the funding level

recommended by the Governor, DHFS would be required to report this to the Legislature and include any proposed legislation to implement this item.

Veto by Governor [C-7]: Delete the requirement that DHFS report to the Legislature if sufficient federal MA funds are available to support this item at the funding level recommended by the Governor.

[Act 33 Vetoed Section: 9124(11f)]

5. CHILDREN'S LONG-TERM CARE REDESIGN

GPR	\$686,800
FED	<u>825,000</u>
Total	\$1,511,800

Governor/Legislature: Provide \$420,000 (\$210,000 GPR and \$210,000 FED) in 2003-04 and \$1,091,800 (\$476,800 GPR and \$615,000 FED) in 2004-05 to support an initiative to redesign long-term care services for children. DHFS would use this funding to implement a new MA waiver to provide children with developmental disabilities and other long-term care needs family-centered services and a single entry point for eligibility determinations and information in each county.

This item would: (a) increase MA benefits funding by \$821,800 (\$341,800 GPR and \$480,000 FED) in 2004-05 to support 25 waiver slots in Milwaukee County, seven waiver slots in each of four pilot counties, and 40 statewide waiver slots for crisis situations; and (b) provide \$420,000 (\$210,000 GPR and \$210,000 FED) in 2003-04 and \$270,000 (\$135,000 GPR and \$135,000 FED) in 2004-05 to fund contracted services, including program development, functional screens, quality assurance, and database revisions.

6. FAMILY CARE -- EXPANSION TO KENOSHA COUNTY [LFB Paper 379]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
FED	\$3,126,800	- \$3,126,800	\$0
SEG	<u>681,100</u>	<u>- 681,100</u>	<u>0</u>
Total	\$3,807,900	- \$3,807,900	\$0

Governor: Provide \$3,807,900 (\$681,100 SEG and \$3,126,800 FED) in 2004-05 to expand the Family Care pilot program to establish a new care management organization (CMO) site in Kenosha County, beginning in July, 2004. Family Care provides services to elderly, physically disabled, and developmentally disabled individuals through resource centers and CMOs in participating counties. Currently, nine counties operate aging and disability resource centers (Fond du Lac, La Crosse, Portage, Milwaukee, Richland, Kenosha, Marathon, Trempealeau, and Jackson Counties), while five counties provide the full Family Care benefit through CMOs (Fond du Lac, La Crosse, Portage, Milwaukee, and Richland Counties).

Funding to support capitation payments to the Kenosha County CMO would be provided with the additional funding that would be provided under this item and, in part, through the

transfer of federal funding from the MA and the social services block grants for local assistance to the federal MA-Family Care appropriation. In addition, the item includes GPR cost increases that would be fully offset by increases in the amount of funding that would be transferred from community aids and the community options program (COP) to support Family Care.

Currently, care management organizations receive a flat, monthly payment for each enrollee, regardless of the type or amount of services the CMO provides to each enrollee. In calendar year 2003, these rates range from \$1,768 per month in Milwaukee County to \$2,368 per month in Portage County.

Joint Finance/Legislature: Delete provision. However, specify that if, before July 1, 2005, sufficient federal MA funds are available to support this item at the funding level recommended by the Governor, DHFS would be required to report this to the Legislature and include any proposed legislation to implement this item.

Veto by Governor [C-7]: Delete the requirement that DHFS report to the Legislature if sufficient federal MA funds are available to support this item at the funding level recommended by the Governor.

[Act 33 Vetoed Section: 9124(11f)]

7. FAMILY CARE -- ELIGIBILITY

Governor/Legislature: Delete the current law provision that limits the eligibility of individuals who have a primary diagnosis of developmental disability for Family Care benefits to residents of a county or members of a tribe or band that has operated a care management organization before July 1, 2003.

[Act 33 Sections: 1133, 1136 thru 1139, and 1141]

8. FAMILY CARE -- ENTITLEMENT FOR NON-MA ELIGIBLE APPLICANTS

Governor/Legislature: Extend, from January 1, 2004, to January 1, 2006, the latest date by which DHFS could determine the date on which functionality criteria would first apply to applicants who are not MA eligible, after which applicants who meet the functional eligibility requirements of Family Care but are not eligible for MA would be entitled to receive the Family Care benefit by enrolling in a care management organization in participating pilot counties.

Under current law, DHFS is required to determine a date that is before January 1, 2004, after which individuals who are not eligible for MA but who meet Family Care's functional eligibility requirements would be entitled to receive the Family Care benefit in participating pilot counties. Before that date, individuals who are not eligible for MA may receive the Family

Care benefit within the limits of state funds budgeted for the program and available federal funds.

[Act 33 Section: 1140]

9. FAMILY CARE -- FUNDING TRANSFERS

Governor/Legislature: Make the following funding changes to simplify and consolidate funding budgeted for Family Care: (a) increase MA benefits funding by \$10,365,400 GPR to fund payments to care management organizations (CMOs); (b) increase community aids funding by \$7,913,700 GPR to support resource centers; (c) decrease funding budgeted for CMOs from the community options program (COP) appropriation by \$15,414,700 GPR; (d) decrease funding budgeted for CMOs from the community aids appropriation by \$1,285,100 GPR; (e) decrease funding for community aids by \$1,579,300 GPR; and (f) transfer \$208,200 FED from the social services block grant from community aids to Family Care.

10. COMMUNITY OPTIONS PROGRAM -- CARRYOVER FUNDS

Governor/Legislature: Reduce the amount of a county's community options program (COP) allocation that DHFS may, at the request of the county, carry forward from one calendar year to the next, from 10% of a county's total calendar year allocation less any amounts in risk reserve, to 5% of a county's calendar year allocation less any amounts in risk reserve. Specify that this change would take effect January 1, 2004, and would first apply to funds carried forward from calendar year 2004 to calendar year 2005.

[Act 33 Sections: 1109, 9324(3), and 9424(1)]

Health

1. HIRSP -- GPR SUPPLEMENT [LFB Paper 415]

GPR	- \$20,483,600
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Governor: Delete \$10,241,800 annually to eliminate all GPR that is used to partially support the health insurance risk-sharing plan (HIRSP), including funding budgeted to offset total program costs (\$9,500,000 annually) and to partially support the costs of premium subsidies provided to low-income policyholders (\$741,800 annually). Repeal two GPR appropriations that provide funding for these purposes.

In addition, make the following statutory changes.

Modify Allocation of HIRSP Costs. Specify that all of the costs for HIRSP would be distributed among policyholders (58%), insurers (21%), and providers (21%). Currently, after

deducting the GPR funding budgeted for the program, the costs for HIRSP are distributed among policyholders (60%), insurers (20%), and providers (20%).

Subsidies. Authorize DHFS to provide subsidies for prescription drug copayments, in addition to subsidies for premiums and deductibles as provided under current law, for eligible individuals based on income levels. Specify that the costs for subsidies for premiums, deductibles, and prescription drug copayments would be distributed equally between insurers and providers.

Currently, subsidies to low-income policyholders are funded from a GPR appropriation that would be repealed in the bill. However, if the amount in the GPR appropriation is insufficient to fund the subsidies, the remaining costs are distributed between insurers and providers. Also, under current law, policyholders pay a prescription drug coinsurance of 20%, up to a maximum of \$25 per prescription. HIRSP has the authority to establish a prescription drug copayment, but currently has no copayment requirement.

Joint Finance/Legislature: Adopt all of the Governor's recommendations, except the provision relating to the reallocation of HIRSP costs among policyholders, insurers, and providers. Consequently, HIRSP costs would continue to be distributed among policyholders (60%), insurers (20%), and providers (20%).

[Act 33 Sections: 452, 453, 465, 857, 858, 2068 thru 2087, and 2091]

2. HIRSP -- BENEFITS AND ADMINISTRATION COSTS [LFB Paper 415]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
SEG	\$191,710,400	- \$37,784,900	\$153,925,500

Governor: Provide \$64,374,000 in 2003-04 and \$127,336,400 in 2004-05 to reflect a reestimate of benefits that will be paid by HIRSP and the costs of administering the plan in the 2003-05 biennium. Premiums paid by policyholders, insurer assessments, and provider payment adjustments are deposited to a segregated fund to support the benefits and administrative costs of HIRSP.

Benefits. Provide \$63,493,700 in 2003-04 and \$125,928,900 in 2004-05 to reflect reestimates of benefits that will be paid by HIRSP. Under the bill, a total of \$146,080,700 in 2003-04 and \$208,515,900 in 2004-05 would be budgeted to support estimated benefits costs. Enrollment is anticipated to increase from an estimated 16,600 individuals in 2002-03 to 20,800 in 2003-04 and to 25,400 in 2004-05.

Administration. Provide \$880,300 in 2003-04 and \$1,407,500 in 2004-05 to support projected increases in the costs of administering HIRSP. HIRSP administrative costs include expenses for plan administration, policy management, actuarial services, DHFS administration, medical

consultants, postage costs, and legal and referral fees. Under the bill, a total of \$5,430,200 in 2003-04 and \$5,957,600 in 2004-05 would be budgeted to support these costs.

HIRSP is a health insurance plan for the medically uninsurable. HIRSP offers three plans, two major medical plans and a Medicare supplement plan, for individuals who cannot obtain affordable coverage either through the individual or group insurance market.

Joint Finance/Legislature: Modify the Governor's recommendation by reducing funding in the bill by \$15,792,900 in 2003-04 and \$21,992,000 in 2004-05 to reflect a reestimate of benefits that will be paid by HIRSP and the costs of administering the plan in the 2003-05 biennium.

Benefits. Reduce funding by \$15,140,100 in 2003-04 and \$21,050,700 in 2004-05 to reflect reestimates of benefits that would be paid by HIRSP. A total of \$130,940,600 in 2003-04 and \$187,465,200 in 2004-05 would be budgeted to support estimated benefits costs. Enrollment is anticipated to increase from an estimated 16,600 individuals in 2002-03 to 20,700 in 2003-04 and 25,300 in 2004-05.

Administration. Reduce funding by \$652,800 in 2003-04 and \$941,300 in 2004-05 so that the amounts budgeted for the costs of administering HIRSP would be increased by 5% in each fiscal year. A total of \$4,777,400 in 2003-04 and \$5,016,300 in 2004-05 would be budgeted to support these costs.

3. HIRSP -- PROCUREMENT [LFB Paper 415]

Governor: Repeal the current requirement that the HIRSP plan administrator be the medical assistance (MA) fiscal agent. Instead, authorize DHFS to select the HIRSP plan administrator through a competitive bidding process.

The current MA fiscal agent contract will expire on December 31, 2005. If this provision were enacted, DHFS could implement a new HIRSP plan administrator contract at the same time it implements a new contract for the MA fiscal agent.

Joint Finance/Legislature: Adopt the Governor's recommendation. In addition, require DHFS to prepare a request-for-proposal (RFP) for the selection of the plan administrator not later than the first day of the seventh month beginning after the bill's general effective date and to submit the RFP to the Joint Committee on Finance before soliciting bids on the RFP. Specify that DHFS could only release the RFP upon approval of the RFP by the Committee under a 14-day passive review process.

Veto by Governor [C-23]: Delete the requirement that DHFS prepare the RFP not later than the first day of the seventh month beginning after the bill's general effective date. In addition, delete the requirement that DHFS submit the RFP to the Committee under a 14-day passive review process before soliciting bids.

[Act 33 Sections: 2067, 2088 thru 2090]

[Act 33 Vetoed Section: 9124(10h)]

4. CHRONIC DISEASES [LFB Paper 416]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$0	- \$243,300	- \$243,300
PR	<u>546,000</u>	<u>- 215,600</u>	<u>330,400</u>
Total	\$546,000	- \$458,900	\$87,100

Governor: Provide \$17,200 (-\$255,800 GPR and \$273,000 PR) in 2003-04 and \$528,800 (\$255,800 GPR and \$273,000 PR) in 2004-05 to reflect a reestimate of the amount of funding that will be required to support medical services provided under the Wisconsin chronic diseases program (WCDP) in the 2003-05 biennium. The projected increases in the amount of program revenue that will be available to support the program reflect the recent implementation of a drug rebate program. Base funding for the program is \$4,932,000 GPR. The WCDP reimburses health care providers for disease-related services provided to individuals with chronic renal disease (CRD) and hemophilia and adults with cystic fibrosis.

In addition, make the following statutory changes.

Drug Copayments. Require individuals enrolled in the chronic disease aids programs to pay a \$5 copayment for each generic drug and a \$15 copayment for each brand name drug in cases where a pharmacy directly bills DHFS or a contracted entity for the drug. Currently, there are no statutorily established copayment amounts. However, under current rules, these copayments are \$5 for each generic prescription drug and \$10 for each brand name prescription drug.

Patient Liability for Treatment Costs. Modify the current requirement that DHFS promulgate rules that require individuals enrolled in the chronic disease aids programs to obligate or expend specified portions of their income on medical care for treatment of CRD, hemophilia, and cystic fibrosis before receiving benefits by specifying that: (a) this cost sharing requirement would apply to individuals with estimated total family income that is at or above 200% of the federal poverty level (FPL), rather than to the income of individuals that exceed specified limits; and (b) the rules would require program participants to pay the following percentages of his or her family income for medical services covered under these programs before receiving benefits:

Income as a % of Federal Poverty Level	<u>Percent of Total Family Income</u>	
	<u>Current Law</u>	<u>Governor</u>
300% thru 325%	0.75%	1.00%
>325% thru 350%	1.50	1.75
>350% thru 375%	2.25	2.50
>375% thru 400%	3.00	3.25
>400%	4.00	4.25

Under the bill, DHFS would specify the percentage of income required for this deductible for income levels from 200% to 300% of the FPL.

Require DHFS to continuously review the sliding scale for patient liability coinsurance and revise it as needed to ensure that the amounts budgeted for the chronic disease aids programs are sufficient to cover treatment costs. Currently, DHFS is required to review and, if necessary, revise the sliding scale for patient liability every three years.

Provider Reimbursement for CRD Services. Eliminate the current requirement that the state reimburse providers that render services under the CRD program at rates that equal the allowable charges under the federal Medicare program. Instead, require DHFS to reimburse providers at rates that do not exceed the allowable charges under Medicare.

Require a person that provides a service to a patient for which assistance is provided under the CRD program to accept the state payment as payment in full and prohibit the person from billing the patient for any amount by which the charge for the service exceeds the state payment.

Application to Other Programs. Specify that assistance under the disease aids program may only be provided to an individual if he or she has first applied for benefits under all other health care coverage programs specified by DHFS rule for which the person reasonably may be eligible. Direct DHFS to promulgate rules that specify these other programs, but require the rules to include MA, BadgerCare, and SeniorCare. Authorize DHFS to promulgate both emergency rules and permanent rules to implement this requirement, but exempt DHFS from the criteria that DHFS would otherwise be required to meet to promulgate emergency rules. Specify that this requirement would first apply to persons who apply for benefits under the disease aids program on the bill's general effective date.

Under current law, there is no requirement that applicants apply for any other state health programs before becoming eligible for assistance under the disease aids program.

Payer of Last Resort. Prohibit DHFS from making payments under the CRD, hemophilia, and cystic fibrosis programs for any portion of medical treatment costs or other expenses that are payable under any state, federal, or other health care coverage program, or any grant, contract, or other contractual arrangement.

Under current law, the disease aids program is generally the payer of last resort. For CRD services, individuals must have no other form of aid available from Medicare or other insurance. For hemophilia treatment services, reimbursement is subject to costs that are not payable by any other state or federal program or under any grant, contract and any other financial arrangement. No similar provision applies relating to payments under the cystic fibrosis program.

Managed Care Methods. Authorize DHFS to adopt managed care methods of cost containment for the chronic disease aids programs.

Joint Finance/Legislature: Reduce funding by \$119,500 (-\$11,700 GPR and -\$107,800 PR) in 2003-04 and \$339,400 (-\$231,600 GPR and -\$107,800 PR) in 2004-05.

Funding Reestimate. Reduce funding by \$119,500 (-\$11,700 GPR and -\$107,800 PR) in 2003-04 and \$204,300 (-\$96,500 GPR and -\$107,800 PR) in 2004-05 to reflect a reestimate of the amount of funding that would be required to support medical services provided under the WCDP in the 2003-05 biennium. A total of \$4,829,700 (\$4,664,500 GPR and \$165,200 PR) in 2003-04 and \$5,256,500 (\$5,091,300 GPR and \$165,200 PR) in 2004-05 would be available to support these medical services.

Drug Copayments. Reduce funding by \$21,000 GPR in 2004-05 to reflect estimated savings from drug copayments. Require individuals enrolled in the chronic disease aids programs to pay a \$7.50 copayment for each generic drug and a \$15 copayment for each brand name drug in cases where a pharmacy directly bills DHFS or a contracted entity for the drug.

Patient Liability for Treatment Costs. Reduce funding by \$114,100 GPR in 2004-05 to reflect estimated savings from deductibles. Modify the current requirement that DHFS promulgate rules that require individuals enrolled in the chronic disease aids programs to obligate or expend specified portions of their income on medical care for treatment of chronic renal disease, hemophilia, and cystic fibrosis before receiving benefits by specifying that the rules would require program participants to pay the following percentages of his or her family income for medical services covered under these programs before receiving benefits:

Income as a percent of Federal Poverty Level	Percent of Total Family Income		
	<u>Current Law</u>	<u>Governor</u>	<u>Joint Finance/Leg.</u>
200% thru 250%	none	set by DHFS	0.50%
>250% thru 275%	none	set by DHFS	0.75
>275% thru 300%	none	set by DHFS	1.00
>300% thru 325%	0.75%	1.00%	1.25
>325% thru 350%	1.50	1.75	2.00
>350% thru 375%	2.25	2.50	2.75
>375% thru 400%	3.00	3.25	3.50
>400%	4.00	4.25	4.50

Provider Reimbursement for CRD Services. Require the state to reimburse providers that render services under the CRD program at the lower of Medicare rates or medical assistance rates.

Application to Other Programs. Exempt individuals from the requirement of applying to other health care programs, specified by DHFS, for which he or she may reasonably be eligible, before receiving assistance under the hemophilia home care program of WCDP.

Veto by Governor [C-21]: Modify the provisions related to provider reimbursement for chronic renal disease services and application to other programs as follows:

Provider Reimbursement for CRD Services. Require the state to reimburse providers that render services under the CRD program equal to the rates paid under Medicare for these services.

Application to Other Programs. Delete the requirement that DHFS include, in its rules, MA, BadgerCare, and SeniorCare as programs for which individuals must apply before applying for benefits under the chronic disease program. Consequently, DHFS would determine, by rule, all health programs for which individuals would be required to apply before applying for the chronic disease program.

In addition, extend the requirement relating to the application to other health programs to include the hemophilia home care program of WCDP.

[Act 33 Sections: 1423 thru 1426, 1428 thru 1435, 1437, and 9324(2)]

[Act 33 Vetoed Sections: 1424, 1425, 1426, 1429, 1430, 1433, and 9324(2)]

5. TOBACCO CONTROL AND PREVENTION [LFB Paper 720]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR-REV	\$0		-\$30,690,200		-\$30,690,200	
GPR	\$0	0.00	\$20,116,500	1.00	\$20,116,500	1.00
SEG	<u>30,116,500</u>	<u>1.00</u>	<u>- 30,116,500</u>	<u>- 1.00</u>	<u>0</u>	<u>0.00</u>
Total	\$30,116,500	1.00	-\$10,000,000	0.00	\$20,116,500	1.00

Governor: Provide \$15,054,500 SEG in 2003-04, \$15,062,000 SEG in 2004-05, and 1.0 SEG position, beginning in 2003-04, to reflect the Governor's proposal to eliminate the Tobacco Control Board and the transfer of funding for grants (\$15,000,000 annually) and operations (\$54,500 in 2003-04 and \$62,000 in 2004-05) to DHFS. For additional information on this item, "Tobacco Control Board."

Joint Finance/Legislature: Delete \$15,054,500 SEG in 2003-04, \$15,062,000 SEG in 2004-05, and 1.0 SEG position, beginning in 2003-04. Instead, provide \$10,054,500 GPR in 2003-04, \$10,062,000 GPR in 2004-05, and 1.0 GPR position, beginning in 2003-04, to reflect the elimination of the Tobacco Control Board and the transfer of funding for grants (\$10,000,000 GPR annually) and operations (\$54,500 GPR in 2003-04 and \$62,000 GPR in 2004-05) to DHFS.

Tobacco Control Fund. Eliminate the segregated tobacco control fund. Instead, budget all funding for the tobacco control and prevention program with GPR, rather than SEG. Transfer to the general fund the unencumbered balance in the tobacco control fund on the bill's general effective date.

Earmarked Grants. Eliminate current statutory provisions that earmark grant funding for the Thomas T. Melvin program, the University of Wisconsin-Madison Center for Tobacco

Research and Intervention, and the Medical College of Wisconsin.

Strategic Plan. Require DHFS to continue to implement the strategic plan developed by the Tobacco Control Board, and to update the plan annually.

In September, 2000, the Tobacco Control Board adopted its strategic plan, which outlines the Board's vision, mission, goals, and an allocation of the Board's funds. In its plan, the Board indicates that its mission is "to aggressively pursue the elimination of tobacco use by partnering with communities to prevent tobacco use among youth, promote cessation, and eliminate secondhand smoke. This mission will be achieved through comprehensive state and local efforts that utilize best practices and address the needs of diverse populations most adversely impacted by tobacco use." The plan identifies the following goals for the state to achieve by 2005: (a) tobacco use among middle and high school-age youth will decline by 20%; (b) tobacco use among adults will decline by 20%; (c) tobacco consumption will decline by 20%; (d) 100 Wisconsin municipalities will establish smoke-free restaurant ordinances; (e) 100% of municipal governments will have smoke-free government-owned buildings; (f) 90% of workplaces will establish smoke-free environments; and (g) 70% of homes will voluntarily establish smoke-free environments.

Tobacco Control Advisory Committee. Create a Tobacco Control Advisory Committee, with membership appointed for three-year terms by, and reporting directly to, the DHFS Secretary.

Direct the DHFS Secretary to appoint a maximum of 17 members to the Committee, which would include the following: (a) at least one representative of a local tobacco prevention coalition; (b) at least one youth representative involved in tobacco prevention and control efforts; (c) at least one representative of a population disproportionately impacted by tobacco; (d) at least one representative of a statewide health care provider association or organization; (e) at least one representative of a statewide or regional hospital association or organization; (f) at least one representative of a statewide or regional insurance association or organization; (g) at least one representative of a state or local chamber of commerce or other business association or organization; (h) one Senator; (i) one Representative to the Assembly who is from a different political party than the appointed Senator; (j) at least three representatives of organizations that have reduction of the health and economic impacts of tobacco use as their primary organizational mission; (k) the DHFS Secretary; (l) the Superintendent of Public Instruction or his or her designee; (m) the Attorney General or his or her designee; and (n) the remaining members from organizations or associations identified by DHFS.

Require the Committee to: (a) develop public-private partnerships on tobacco control issues and initiatives; (b) ensure regular review and monitoring of Wisconsin's strategic plan; (c) identify external resources and action steps DHFS could take to support its implementation of the plan and/or other local policy initiatives; (d) ensure coordination with other tobacco control efforts in Wisconsin; (e) provide advice and guidance on proposed tobacco prevention and control plans and strategies, including those to be funded by DHFS; (f) ensure an external evaluator conducts regular outcome-based evaluations of tobacco control and prevention projects and presents the evaluations to the Joint Legislative Audit Committee; (g) develop and

distribute an annual report on the impacts of tobacco in Wisconsin and the progress of the tobacco prevention and control efforts; and (h) have members authorized by their respective organizations commit the human and material resources of those organizations to the greatest extent possible.

Under current law, the Tobacco Control Board is an independent state agency that is attached to DHFS for limited administrative purposes. Current law does not specify the number of persons who serve on the Board or the length of Board members' terms, nor does it require that specific interests be represented on the Board. Instead, the Governor determines the size of the Board and all appointments to it. All Board members serve at the pleasure of the Governor. As of January 1, 2003, there were 17 Board members, which included legislators, public health advocates, health care providers, county officials, youth members, the State Superintendent of Public Instruction, and representatives of the business community.

Veto by Governor [C-22]: Delete the provisions related to the Tobacco Control Advisory Committee.

[Act 33 Sections: 10c, 112, 177g, 348, 387, 470h, 478x, 670m, 837s, 842p, 861x, 863g, 2455t thru 2459d, 2460d thru 2464d, 9151, and 9224(1x)]

[Act 33 Vetoed Sections: 2459x and 9124(5x)]

6. TRANSFER MILK CERTIFICATION PROGRAM [LFB Paper 417]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	-\$724,200	- 5.00	\$0	0.20	-\$724,200	- 4.80

Governor: Reduce funding by \$362,100 annually and delete 5.0 positions, beginning in 2003-04, to reflect the transfer of the milk certification program from DHFS to the Department of Agriculture, Trade and Consumer Protection (DATCP). Replace current statutory references to DHFS with references to DATCP with respect to the program.

In session law, decrease the number of authorized positions in DHFS by 4.8 GPR positions on the bill's general effective date, and provide 4.8 PR positions, funded from milk certification fees, in DATCP.

Provide that, on the bill's general effective date: (a) the assets and liabilities of DHFS primarily related to the certification of grade A dairy operations, as determined by the DOA Secretary, would become the assets and liabilities of DATCP; (b) all positions and all incumbent employees holding these positions in DHFS, as determined by the Secretary of the Department of Administration (DOA), would be transferred to DATCP and retain the employee rights they enjoyed in DHFS immediately before the transfer; (c) all tangible property, including records, of

DHFS that is primarily related to the certification of grade A dairy operations, as determined by the DOA Secretary, would be transferred to DATCP; (d) all contracts entered into by DHFS that are primarily related to the certification of grade A dairy operations, as determined by the DOA Secretary, remain in effect and are transferred to DATCP, which would carry out any obligations under such a contract until the contract is modified or rescinded by DATCP to the extent allowed under the contract; and (e) any matter pending with DHFS relating to the program is transferred to DATCP, and all materials submitted to or actions taken by DHFS with respect to the pending matter are considered as having been submitted to or taken by DATCP.

Joint Finance/Legislature: Modify the Governor's recommendation by providing an additional 0.2 GPR position, beginning in 2003-04, so that the number of positions that would be deleted in DHFS (4.8 FTE positions), would equal the increase in the number of positions in DATCP. In addition, delete session law provisions that identify these position changes.

[Act 33 Sections: 1757, 1758, 2453m, 2454, and 9124(5)]

7. REGULATION OF RADIOACTIVE MATERIALS

Funding Positions		
PR	\$251,800	0.25

Governor/Legislature: Provide \$135,900 in 2003-04, \$115,900 in 2004-05, and 0.25 position, beginning in 2003-04, to enable DHFS to continue to work toward assuming regulatory oversight over radioactive materials that are currently regulated by the Nuclear Regulatory Commission (NRC).

1999 Act 9 authorized DHFS to begin assuming full regulatory authority over manufactured radioactive materials used in medicine, industry, research, and education. DHFS anticipates that state regulation of these materials will reduce fees for users, provide the state a greater role in the regulation of these materials and create a more consistent regulation process by combining this function with the Department's current responsibilities to regulate radioactive materials not regulated by the NRC, such as naturally occurring and accelerator-produced radioactive materials.

8. ELIMINATE BASE FUNDING FOR DISCONTINUED PROGRAMS

GPR	- \$327,600
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Governor/Legislature: Delete \$163,800 annually to eliminate base funding for: (a) the Milwaukee healthy women and infants project, which was discontinued at the end of the 1998-99 fiscal year (-\$100,000 annually); (b) the state match for federal medical assistance funding that, until 2001-02, DHFS received and transferred to DWD to conduct Healthy Start outreach activities (-\$50,000 annually); and (c) the costs of administering these contracts (-\$13,800 annually). The funding budgeted for these programs has lapsed in each of the past several years.

9. IMMUNIZATIONS

Governor/Legislature: Extend the Department's authority to expend up to \$9,000,000 GPR in each fiscal year to support the state immunization program, and delete references to this annual funding limit that was established for each year of the 2001-03 biennium. Replace current references to federal funds the state receives from two sources -- the federal vaccines for children program and section 317 of the Public Health Services Act -- with any federal funds the state receives for the provision of vaccine to immunize children, including these two sources.

DHFS is currently authorized to expend \$9,000,000 in each year of the 2001-03 biennium from a sum sufficient appropriation that is equal to the difference between this statutory amount and the amount of federal funding DHFS receives to support the state immunization program. In the 2001-03 biennium, federal funding has exceeded \$9 million annually, and, consequently, no GPR funds have been expended from this appropriation.

[Act 33 Section: 470]

10. RURAL HEALTH DENTAL CLINICS

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$0	\$50,000	\$50,000

Governor: Authorize DHFS to expend up to \$232,000 GPR annually for the rural dental health clinic in the City of Ladysmith and up to \$355,600 GPR annually for the rural health dental clinic in the City of Menomonie. These statutory allocation amounts equal the amounts budgeted for each of these clinics in 2002-03. Delete references to the 2001-02 and 2002-03 funding allocations for these clinics.

The Ladysmith rural health dental clinic provides dental services to individuals who are developmentally disabled, elderly, or have low-income and live in Rusk, Price, Taylor, Sawyer, and Chippewa Counties. The Menomonie rural health dental clinic provides dental services to this group of individuals who live in Barron, Chippewa, Dunn, Pepin, Pierce, Polk, and St. Croix Counties.

Joint Finance/Legislature: Adopt the Governor's recommendations. In addition, provide \$50,000 in 2003-04 in one-time funding to support start-up costs for the Tri-County Dental Clinic in the City of Appleton, which would serve low-income residents in Winnebago, Calumet, and Outagamie Counties.

[Act 33 Sections: 470d, 470e, 2061, 9124(1f), and 9424(11f)]

11. WELL-WOMAN PROGRAM

Joint Finance/Legislature: Require DHFS to allocate and expend at least \$60,000 GPR annually from the amounts budgeted for the well-woman program as reimbursement for the provision of multiple sclerosis screening services to women as part of screenings conducted by the well-woman program.

Under current law, the well-woman program is budgeted \$2,188,200 GPR annually. From these funds, DHFS provides reimbursement for health care screenings, referrals, follow-ups, and patient education provided to low-income, underinsured, and uninsured women.

Within the amounts budgeted for the program, DHFS is required to provide: (a) breast cancer screening services; (b) media announcements and educational materials; (c) breast cancer screenings using mobile mammography vans; (d) specialized training for rural colposcopic examinations and activities; (e) health care screening, referral, follow-up, and patient education; (f) a women's health campaign; (g) osteoporosis prevention and education; and (h) multiple sclerosis education. However, if the projected costs of conducting these activities exceeds the amount budgeted, DHFS must modify services and reimbursement accordingly to not exceed its budget authority.

Veto by Governor [C-24]: Modify the provision by: (a) deleting the provision that limits the use of these earmarked funds for screening services; and (b) deleting the requirement that DHFS allocate and expend this amount annually. Consequently, the \$60,000 GPR would be one-time funding, and DHFS would have discretion as to which multiple sclerosis services would be supported with the funds.

[Act 33 Section: 2455r]

[Act 33 Vetoed Section: 2455r]

12. HOSPITAL AND AMBULATORY SURGERY CENTER DATA COLLECTION

Funding Positions		
PR-REV	- \$1,300,000	
PR	- \$2,050,000	- 18.00

Joint Finance/Legislature: Reduce funding by \$750,000 in 2003-04 and \$1,300,000 in 2004-05 and delete 18.0 positions, beginning in 2003-04, to reflect the transfer of hospital and ambulatory surgery center (ASC) data collection and dissemination responsibilities from DHFS to a contracted entity.

Department of Administration. Provide \$750,000 in 2003-04, from the \$1.3 million in hospital and ASC assessments collected by DHFS, to the Department of Administration (DOA) to fund a contract with a private entity. Specify that the contract would require the private entity to collect and disseminate hospital and ASC data. Require DOA, by the first day of the second month after the bill's general effective date, to contract with an entity that is: (a) not-for-profit, as defined under section 501(c)(6) of the Internal Revenue Service Code; (b) a business membership organization that represents at least 70% of hospitals in Wisconsin; and (c)

affiliated with a group that would oversee the entity's data program ("oversight group"). Require DOA to monitor the contract. The Wisconsin Hospital Association would meet these criteria.

Prohibit DOA from requiring any additional data and information collection or dissemination activities of the entity. Require DOA to include in the contract only terms authorized under current law or that are standard terms in contracts with DOA.

Contracted Entity. Require the contracted entity to: (a) collect the data and information that the Bureau of Health Information (BHI) in DHFS currently collects from hospitals and ASCs, including claims data information from the fiscal survey and the American Hospital Association annual survey; (b) prepare and release the collected data and other information in the data sets and standard reports as required under current law and accomplished by BHI, including the hospital rate increase report, the guide to Wisconsin hospitals report, the patient-level data utilization and charge report, and the uncompensated health care in Wisconsin hospitals report; (c) protect patient confidentiality, as required under current law, for data collected from hospitals and ASCs; (d) release all claims data and provider survey information to DHFS for epidemiological purposes as required under current law; (e) assess fees as approved by the oversight group for the sale of data sets and standard reports, although the entity would provide DHFS with claims and provider survey information without charge; and (f) expand the current hospital outpatient database to include all outpatient hospital-based services within 18 months of the contract date.

Delete the requirement that hospitals and ASCs submit claims data and survey information to BHI. Instead, require hospitals and ASCs to submit claims data and survey information to the contracted entity.

Require the entity to provide equal access to the data collected and reports generated under the program to all requestors that pay the fees, limited by the privacy and security provisions under current law. Authorize other organizations to use the purchased data to generate and publish reports, but not re-release or resell the data sets. Authorize DHFS to release data and information as part of reports created by DHFS, but not re-release or resell the data sets.

Authorize the entity to have sole rights to sell hospital and ASC data and information collected beginning January 1, 2004, unless otherwise agreed to by the entity, based on the reasonable and necessary fees established by the oversight group for data sets and standard reports. Authorize the entity, rather than BHI, to have the rights to use and the sole authority to sell hospital and ASC data collected by BHI since the inception of the program and retain all fees associated with those sales.

Oversight Group. Specify that the oversight group would include the following members: (a) the DHFS Secretary as a nonvoting member and the chair of the oversight group; (b) two members named by Wisconsin Manufacturers and Commerce; (c) two members named by the Wisconsin Association of Health Plans; (d) one member named by the AFL-CIO; (e) two members named by the Wisconsin Hospital Association; (f) one member named by the Speaker

of the Assembly; and (g) one member named by the Senate Majority Leader. Require the Secretary, as chair of the oversight group, to report by April 1, 2004, and annually thereafter, to the Legislature on the content and number of reports generated by the entity and the currency of the information and reports generated by the entity. Require the oversight group to review and approve reasonable fees necessary to generate the required data and standard reports.

Require the oversight group to review the entity's performance under the contract every two years, including the timeliness and quality of the reports the entity generates. Authorize the oversight group to recommend to DOA that DOA issue a request-for-proposal (RFP) for the work performed by the entity under the contract if the oversight group is not satisfied with the entity's performance. Require the hospital and ASC data and information collection and dissemination activities to transfer back to DHFS if no organization responds to the RFP.

Department of Health and Family Services. Delete the authority of DHFS to collect and disseminate data and information related to hospitals and ASCs.

Require DHFS to provide the entity with all databases and all prior databases and computer software, including manuals, documentation, and program codes, during the first year of the contract. Require DHFS to provide the entity with transition assistance to ensure that the data collection and dissemination program is functioning by January 1, 2004.

Repeal DHFS authority to assess hospitals and ASCs to support the activities of BHI, beginning July 1, 2004.

Veto by Governor [C-20]: Modify the provision as follows:

Department of Administration. Require DOA to contract with the entity by the second month after the bill's general effective date (September, 2003) rather than the first day of the second month after the bill's general effective date (September 1, 2003). In addition, delete the requirement that DOA only include in the contract terms standard to contracts with DOA under Chapter 16 of the statutes.

Contracted Entity. Specify that the contracted entity would collect information on outpatient hospital-based services from hospitals and ASCs within 18 months after the date of the contract, rather than collect information on all outpatient hospital-based services from hospitals and ASCs within 18 months after the date of the contract.

Delete the provision that would have permitted the contracted entity to waive specified data submission requirements for hospitals and ASCs that request a waiver and present evidence that the requirements are burdensome.

Require the entity to establish reasonable and necessary user fees to fund the cost of the compilation or report, rather than to fund the actual necessary and direct cost of the compilation or report.

Oversight Group. Specify that the contracted entity would receive oversight with respect to services performed by the contracted entity from the DHFS Secretary, rather than an oversight

group. Require the Board of Health Information to advise the contracted entity, as well as DHFS, with regard to the collection, analysis, and dissemination of health care information, provide oversight on the standard reports required by the contracted entity, as well as DHFS, and develop the overall strategy and direction for implementation of the duties and powers of the contracted entity, as well as DHFS.

Department of Health and Family Services. Require the first annual report DHFS is required to submit concerning the content and number of reports and currency of information of reports generated in the previous calendar year by the contracted entity to be submitted by April 1, rather than April 1, 2004. Require DHFS to submit to the Governor and to the chief of clerk of each house of the Legislature for distribution to the Legislature an annual guide to assist consumers in selecting health care providers, including hospitals and ASCs.

Exempt DHFS from the prohibition on releasing or selling data sets purchased from the contracted entity in cases where the data is part of reports created by DHFS to reflect that DHFS would not purchase any data compilation or special report from the contracted entity.

Require DHFS to provide to the entity all health care information databases and computer software related to hospitals and ASCs, including manuals, documentation, and program codes possessed by DHFS after the contract is agreed upon, rather than before 12 months have elapsed after a contract is agreed upon. In addition, require DHFS to provide the entity with transition assistance to ensure the entity's program is functioning in 2004, rather than by January 1, 2004.

[Act 33 Sections: 211, 214b, 215c, 458r, 570, 2092c thru 2093f, 2094h thru 2095rt, 9124(10k), 9224(3k), and 9424(11k)]

[Act 33 Vetoed Sections: 2092c, 2092e, 2092f, 2092i, 2092j, 2093bg, 2094c, 2094d, 2094e, 2094f, 2094g, 2094L, 2094x, 2095re, 2095rn, and 9124(10k)]

13. GROUNDWATER AND AIR QUALITY STANDARDS [LFB Paper 572]

Funding Positions		
SEG	- \$105,000	- 0.93

Joint Finance/Legislature: Delete \$105,000 in 2004-05 from the environmental management account of the environmental fund and 0.93 position, beginning in 2004-05, related to development of groundwater and air quality standards. With this change, DHFS would be budgeted \$291,200 and 2.57 positions in 2004-05 from the environmental management account of the environmental fund.

14. MINORITY HEALTH PROGRAM

PR	\$200,000
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Joint Finance/Legislature: Provide \$100,000 annually in tribal gaming revenue from the appropriation that supports gaming economic development and diversification grants and

loans in the Department of Commerce to support the grants to community-based organizations under the minority health program in DHFS.

The minority health program supports grants to improve the health status of economically disadvantaged minority groups and to conduct a public information campaign on minority health. Base funding for the minority health program is \$50,000.

[Act 33 Section: 2059g]

Care and Treatment Facilities

1. NORTHERN WISCONSIN CENTER -- ELIMINATE LONG-TERM CARE SERVICES [LFB Paper 420]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR-REV	-\$3,286,800	0.00	\$528,300	0.00	-\$2,758,500	0.00
GPR	-\$9,197,400	2.00	\$2,706,000	0.00	-\$6,491,400	2.00
FED	-11,410,400	2.00	2,168,000	0.00	-9,242,400	2.00
PR	<u>-24,213,500</u>	<u>-304.93</u>	<u>-1,229,900</u>	<u>54.50</u>	<u>-25,443,400</u>	<u>-250.43</u>
Total	-\$44,821,300	-300.93	\$3,644,100	54.50	-\$41,177,200	-246.43

Governor: Reduce funding by \$15,001,900 (-\$2,891,500 GPR, -\$4,128,100 FED, and -\$7,982,300 PR) and delete 373.93 positions (2.0 GPR positions, 2.0 FED positions, and -377.93 PR positions) in 2003-04, and by \$29,819,400 (-\$6,305,900 GPR, -\$7,282,300 FED, and - \$16,231,200 PR) and delete 300.93 positions (2.0 GPR positions, 2.0 FED positions, and -304.93 PR positions) in 2004-05, to reflect the net fiscal effect of reducing operations at Northern Wisconsin Center (NWC) so that, by July, 2004, all current long-term care residents would be relocated. In addition, reduce GPR revenue by \$1,194,600 in 2003-04 and by \$2,092,200 in 2004-05 to reflect estimates of the loss of administrative overhead, depreciation and interest costs that the state currently claims under the MA program that are deposited to the general fund.

NWC would continue to operate an intensive treatment program to serve 20 clients, and operate a dental clinic. This item would increase funding and positions budgeted for Central Wisconsin Center (CWC) to support the costs of serving some individuals who are relocated from NWC for whom community placement is not feasible or possible.

DHFS currently operates three centers for the developmentally disabled, including: (a) NWC in Chippewa County; (b) Southern Wisconsin Center (SWC) in Racine County; and (c) CWC in Dane County. As of December 31, 2002, there were 174 residents at NWC, 268 residents at SWC, and 353 residents at CWC.

The Governor recommends the following:

Reduce Staff at NWC. Reduce funding budgeted for the operations of NWC by \$7,982,300 PR in 2003-04 and by \$20,313,800 PR in 2004-05 and delete 377.93 PR positions, beginning in 2003-04.

Reduce MA benefits funding by \$9,610,900 (-\$5,386,300 GPR and -\$4,224,600 FED) in 2003-04 and by \$18,500,800 (-\$11,115,100 GPR and -\$7,385,700 FED) to reflect the net effect of: (a) reducing funding to support NWC, central office costs of the Division of Care and Treatment Facilities, and DHFS infrastructure costs; and (b) increasing funding to support transition costs (such as the reimbursement for costs of employee transfers, unemployment compensation costs, and retirement benefits), the costs of staffing additional beds at CWC, projected increases in MA card costs, and the federal share of services provided under the community integration program (CIP IA).

CIP IA (GPR) Costs. Provide \$2,378,300 GPR in 2003-04 and \$4,685,800 GPR in 2004-05 to fund the state share of costs for services provided under CIP IA that would be provided to individuals who are relocated from NWC.

Intensive Treatment Programs. Provide \$4,410,000 PR and 73.0 positions in 2004-05 to operate the intensive treatment program.

Repair and Maintenance. Reduce funding by \$325,400 PR in 2004-05 that is currently budgeted to support repair and maintenance activities at NWC.

Dental Subsidy. Provide \$20,000 GPR in 2003-04 and 2004-05 to fund dental services for individuals who are relocated from NWC.

Staff. Provide \$193,000 (\$96,500 GPR and \$96,500 FED) in 2003-04 and \$206,800 (\$103,400 GPR and \$103,400 FED) in 2004-05 to support 4.0 positions (2.0 GPR positions and 2.0 FED positions), beginning in 2003-04, in the Division of Supportive Living to assist in relocating individuals from NWC to other placements.

Farm Operations. Reduce funding that supports farm operations at NWC by \$2,000 PR in 2004-05.

Resident Transfers. Eliminate the requirement that DHFS notify, and obtain approval from, the appropriate county department before DHFS transfers a resident from one state center to another or to a community setting.

Joint Finance/Legislature: Modify the Governor's recommendations as follows:

Funding. Provide \$3,569,200 (\$1,654,900 GPR, \$2,323,900 FED, and -\$409,600 PR) in 2003-04 and \$74,900 (\$1,051,100 GPR, -\$155,900 FED, -\$820,300 PR) in 2004-05 to reflect reestimates of the costs of implementing the Governor's recommendations. Increase estimates of GPR revenue by \$952,000 in 2003-04 and decrease estimates by \$423,700 in 2004-05 to reflect reestimates of the

loss of administrative overhead, depreciation and interest costs that the state currently claims under the MA program, which are deposited to the general fund.

Delete the provision that would have eliminated the statutory requirement that DHFS notify, and obtain approval from, the appropriate county department before DHFS transfers a resident from one state center to another or into a community placement unless approval of such a transfer is first obtained from the county.

Direct DHFS to sell surplus land at NWC and specify that all of the proceeds from the sale be deposited as revenues in the Division of Care and Treatment Facilities PR general program operations appropriation, notwithstanding other statutory provisions relating to the proceeds from the sale of land. Specify that these revenues could be released by the Joint Finance Committee to support any state activities on the state land currently managed by DHFS or Corrections at NWC.

Staff and Residents. Prohibit DHFS from transferring residents and staff from NWC to CWC to enable DHFS to increase the number of positions that would be available to support the following services: (a) dental services (1.70 PR positions annually); (b) quality assurance (2.0 PR positions annually); (c) power plant and maintenance operations (17.0 PR positions annually); (d) community capacity teams (12.0 PR positions annually); and (e) limited long-term care services at NWC (109.30 PR positions).

Provide 17.5 PR positions in 2003-04 and 54.50 PR positions in 2004-05 to increase vocational programming at NWC (17.50 PR positions annually) and to increase staffing for the intensive treatment program (37.50 PR positions in 2004-05). These additional positions would be supported by a combination of county and federal funding.

Veto by Governor [C-25]: Delete the provision that would prohibit the involuntary transfer of staff from NWC to another center and the requirement that DHFS obtain the approval of the resident's guardian before a resident can be transferred from a center.

[Act 33 Sections: 10r, 26, 209, 447, 861, 1488, 1490, 1495, 1496, 1496c, 1498, 1499, and 1499b]

[Act 33 Vetoed Sections: 1490c and 1496c]

2. STATE CENTERS -- REDUCTIONS TO REFLECT 2001-03 CIP IA PLACEMENTS [LFB Paper 421]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
PR	-\$5,036,800	- 51.61	\$492,600	5.10	-\$4,544,200	- 46.51

Governor: Decrease funding by \$2,518,400 annually and delete 51.61 positions, beginning in 2003-04, to reflect the relocation of residents from the centers for the developmentally

disabled into community settings under the community integration program (CIP IA) during the 2001-03 biennium. Reductions in funding and staff are due to the relocation of 21 residents from the centers in 2001-02 and 12 residents that DHFS projects will be placed in the 2002-03 fiscal year.

Joint Finance/Legislature: Increase the centers' budget by \$246,300 and 5.10 positions annually to reflect a reestimate of the number of CIP IA placements that will be made from the centers in the 2002-03 fiscal year. It is anticipated that nine placements will be made from centers in 2002-03, rather than 12, as assumed by the Governor.

3. CIP IA RATE FOR NEW PLACEMENTS AND CENTERS REDUCTION RATE [LFB Paper 420]

Governor/Legislature: Increase the maximum rate DHFS would pay counties to provide services for individuals who are relocated from state centers for the developmentally disabled to the community under the CIP IA program such that DHFS would pay a maximum rate of \$325 per day for services provided to individuals who are relocated on or after July 1, 2004.

Reduce payments to the state centers following each CIP IA placement so that the centers' budget would be reduced by \$325 per day beginning in 2004-05, rather than \$225 per day, as under current law. Thus, the increase in the cost of supporting community placements would be offset by a corresponding reduction in funding for the state centers.

Currently, DHFS reimburses counties for the costs of services they provide to CIP IA enrollees under six different rates, depending upon when the placements occurred. These rates are shown below.

<u>Placement Date</u>	<u>Daily Rate</u>
Before July 1, 1995	\$125
July 1, 1995 thru June 30, 1997	153
July 1, 1997 thru June 30, 2000	184
July 1, 2000 thru June 30, 2001	190
July 1, 2001 thru June 30, 2002	200
July 1, 2002 and after	225

Veto by Governor [C-26]: Delete the reference to "-05" in the effective date, so that the centers' budget reduction rate would be \$225 per day for individuals who are relocated on or after July 1, 2003. In his veto statement, the Governor indicates that the \$325 CIP IA rate would first apply to individuals who are relocated on or after July 1, 2003.

[Act 33 Section: 1320]

[Act 33 Vetoed Section: 1320]

4. STATE CENTERS -- INTENSIVE TREATMENT SERVICES

Governor/Legislature: Make the following statutory changes relating to the operation of intensive treatment programs (ITPs) at the state centers for the developmentally disabled:

Limit on Number of Individuals Served. Delete the provision that prohibits DHFS from providing services to more than 50 individuals under the program.

Admission to ITPs. Authorize DHFS to place an individual at a center for ITP services only if: (a) DHFS determines that a licensed bed and other necessary resources are available to provide services to the individual; and (b) DHFS and the county of residence of the individual agree on a maximum discharge date for the individual.

Extended Intensive Treatment Surcharge. Authorize DHFS to assess counties a surcharge of 10 percent of the total cost of care provided to individuals served at the ITPs for each six-month period in which residents remain at the centers beyond the discharge date set by the center and the resident's county of residence, and to increase the amount of the surcharge by 10 percent of the total cost of care provided during each six-month period thereafter. Create a continuing, program revenue appropriation for the Division of Care and Treatment Facilities (DCTF), funded from these surcharge revenues, to support grants to counties for one-time costs associated with CIP IA relocations.

Provide that these provisions would first apply to ITP services that are provided on the bill's general effective date.

Placement of Children. Modify statutes that currently require individuals under the age of 22 to be placed at Central Center, unless DHFS authorizes the placement at Northern Center or Southern Center, to authorize placements of individuals under the age of 22 at ITPs that could operate at any of the centers.

The ITPs provide short-term care to individuals with developmental disabilities who have behavior or psychiatric crises. Counties currently pay the nonfederal costs of care for individuals who receive intensive treatment services.

[Act 33 Sections: 448, 1115, 1486 thru 1489, 1491 thru 1494, 1497, 1502, 1503, and 9324(12)]

5. MENTAL HEALTH INSTITUTES -- FUNDING SPLIT

Governor/Legislature: Provide \$2,053,100 GPR and reduce funding by \$2,053,100 PR in 2003-04 and provide \$2,076,400 GPR and reduce funding by \$2,076,400 PR in 2004-05

to adjust base funding for the mental health institutes' (MHI's) overhead costs. This funding adjustment is made biennially to assign these costs based on the percentage of the population at the MHIs that is comprised of forensic patients and other nonbillable patients, whose care is supported by GPR, and other patients, whose care is supported by program revenues contributed by counties, medical assistance, and other third-party payers. In addition, convert

Funding Positions		
GPR	\$4,129,500	21.81
PR	- 4,129,500	- 21.81
Total	\$0	0.00

21.81 PR positions to 21.81 GPR positions, beginning in 2003-04, to reflect this funding adjustment. DHFS projects that the populations at the MHIs will be 65% GPR-funded/35% PR-funded at Mendota MHI and 53% GPR-funded/47% PR-funded at Winnebago MHI in both years of the 2003-05 biennium.

6. CONDITIONAL AND SUPERVISED RELEASE SERVICES AND OUTPATIENT COMPETENCY EXAMINATIONS [LFB Paper 422]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$4,012,700	- \$318,100	\$3,694,600

Governor: Provide \$1,337,200 in 2003-04 and \$2,675,500 in 2004-05 to increase funding for services provided for individuals who are on conditional release, supervised release and to conduct outpatient competency examinations as follows.

Supervised Release. Provide \$1,056,500 in 2003-04 and \$2,121,000 in 2004-05 to increase funding for services to individuals who have been committed as sexually violent persons (SVPs) and have been released by the court under the supervision of DHFS. The administration projects that the average number of individuals on supervised release will increase from 25 in 2002-03 to 32 in 2003-04 and to 47 in 2004-05. Base funding for these services is \$751,500.

Conditional Release. Provide \$136,300 in 2003-04 and \$331,900 in 2004-05 to increase funding for contracted services to individuals who are conditionally released from the mental health institutes. This population is projected to increase from an average of 261 in 2002-03 to 270 in 2003-04 and to 280 in 2004-05. Base funding for these services is \$3,991,000.

Outpatient Competency Examinations. Provide \$415,300 in 2003-04 and \$493,500 in 2004-05 to support projected increases in the cost of conducting competency examinations. DHFS projects that the number of outpatient competency examinations it will conduct, either by DHFS staff or under contract, will increase from an estimated 891 in 2002-03 to 1,025 in 2004-05 and 1,128 in 2004-05. Base funding for these services is \$484,300.

In addition, reduce base funding by \$270,900 from the Division of Care and Treatment Facilities' general program operations budget to the appropriation that supports outpatient competency examinations and services for individuals who are on supervised and conditional release. Modify that appropriation by: (a) deleting the requirement that DHFS use funding budgeted in that appropriation to support competency examinations in all areas of the state, rather than only in Milwaukee County, as provided under current law; and (b) specifying that only competency examinations conducted in jails or a locked units could be funded from the appropriation. Finally, specify that the Department's responsibility for conducting examinations is limited to inpatient examinations and those outpatient examinations that are for defendants in custody in jail or in a locked unit of a facility.

Joint Finance/Legislature: Reduce funding by \$2,300 in 2003-04 and by \$315,800 in 2004-05 to reflect reestimates of the amount of funding that would be needed to support these services in the 2003-05 biennium. Delete the Governor's provision that would limit DHFS' responsibility for conducting inpatient examinations and outpatient examinations to defendants in jail or in a locked unit of a facility.

[Act 33 Section: 445]

7. VARIABLE NONFOOD AND FOOD COSTS [LFB Paper 423]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$3,394,400	- \$365,500	\$3,028,900
FED	0	\$491,200	491,200
PR	<u>1,523,200</u>	<u>1,596,900</u>	<u>3,120,100</u>
Total	\$4,917,600	\$1,722,600	\$6,640,200

Governor: Provide \$2,338,500 (\$1,576,600 GPR and \$761,900 PR) in 2003-04 and \$3,387,600 (\$2,244,100 GPR and \$1,143,500 PR) in 2004-05 to fund projected increases in variable nonfood costs, such as medical care, drugs, clothing, and other supplies for individuals who receive care at the centers for the developmentally disabled, the mental health institutes, the Wisconsin Resource Center, and the Sand Ridge Secure Treatment Center.

Reduce funding by \$404,400 (-\$230,300 GPR and -\$174,100 PR) in 2003-04 and by \$404,100 (-\$196,000 GPR and -\$208,100 PR) in 2004-05 to fund the projected costs of food services for residents at the mental health institutes, the centers for the developmentally disabled, the Wisconsin Resource Center, and the Sand Ridge Secure Treatment Center.

Joint Finance/Legislature: Modify the Governor's recommendation by increasing funding in the bill by \$305,200 (-\$381,200 GPR and \$686,400 PR) in 2003-04 and by \$576,400 (-\$334,100 GPR and \$910,500 PR) in 2004-05 for food and variable nonfood costs at DCTF institutions. In addition, increase MA benefits funding by \$318,300 (\$132,300 GPR and \$186,000 FED) in 2003-04 and by \$522,700 (\$217,500 GPR and \$305,200 FED) in 2004-05 to reflect these changes.

8. SHARED SERVICES -- ELIMINATE CHARGE-BACK SYSTEM

Governor/Legislature: Reduce funding by \$2,116,200 PR annually and convert 31.62 PR positions to 31.62 GPR positions, beginning in 2003-04, to directly fund positions that provide shared services to facilities operated by the Division of Care and Treatment, rather than to fund these positions on a charge-back basis, as under current practice.

	Funding	Positions
GPR	\$0	31.62
PR	<u>- 4,232,400</u>	<u>- 31.62</u>
Total	- \$4,232,400	0.00

Currently, funding to support these services appears twice in the DHFS budget -- first, within the GPR and PR amounts budgeted for supplies and services for DCTF facilities, and

second, as program revenue-service funds budgeted for interagency and intra-agency operations. This item would eliminate the charge-back process for these services, and therefore, the "double counting" of these costs in the Department's budget. GPR and PR funding currently budgeted for supplies and services to pay these charges would instead be used to fund the salary and fringe benefit costs of these positions. Consequently, the Governor's recommendation would have no effect on the amount of funding that would be provided to support these services. In total, 47.38 positions that are currently funded as PR-service positions would instead be funded as GPR positions (31.62 positions) or PR positions (15.76 positions), beginning in 2003-04.

9. FUEL AND UTILITIES

GPR	- \$40,100
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Governor/Legislature: Reduce funding by \$41,000 in 2003-04 and increase funding by \$900 in 2004-05 to fund projected changes in the cost of fuel and utilities for facilities administered by the Division of Care and Treatment Facilities.

10. ALTERNATIVE SERVICES

Governor/Legislature: Convert the current appropriation that funds alternative services provided by the centers for the developmentally disabled and the mental health institutes (MHIs) from an annual appropriation to a continuing appropriation.

Under current law, the MHIs may provide, under specified circumstances, alternative services such as mental health outpatient treatment and services, day programming, consultation and services in residential facilities, including group homes, residential care centers for children and youth, and community-based-residential facilities to outside organizations. The centers may provide short-term residential services, dental and mental health services, therapy services, psychiatric and psychological services, general medical services, pharmacy services, and orthotics. The revenue DHFS receives for providing these alternative services is credited to an appropriation that supports these services.

[Act 33 Section: 446]

11. TRANSFER POSITIONS

Governor/Legislature: Transfer \$288,600 GPR and 3.88 GPR positions annually from the appropriation that supports the Mendota Mental Health Institute to the appropriation that supports the Sand Ridge Secure Treatment Center. These positions conduct evaluations of sexual predators, most of whom are placed at the Sand Ridge Secure Treatment Center.

Children and Families

1. FOSTER CARE AND ADOPTION ASSISTANCE REESTIMATE [LFB Paper 430]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	\$15,148,100	- \$1,435,700	\$13,712,400
FED	<u>12,326,600</u>	<u>- 1,152,600</u>	<u>11,174,000</u>
Total	\$27,474,700	- \$2,588,300	\$24,886,400

Governor: Provide \$9,996,500 (\$5,644,200 GPR and \$4,352,300 FED) in 2003-04 and \$17,478,200 (\$9,503,900 GPR and \$7,974,300 FED) in 2004-05 to reflect reestimates of the amount of funding that will be required to support foster care and adoption assistance payments for children with special needs who are under the guardianship of the state. The state serves as guardian for children with special needs after their parents' parental rights have been terminated. The state pays the cost of out-of-home placements for these children while they await adoption and makes adoption assistance payments to families who adopt children with special needs. Base funding for this program is \$58,556,900 (\$30,597,800 GPR and \$27,959,100 FED).

Joint Finance/Legislature: Reduce funding by \$1,513,300 (-\$851,800 GPR and -\$661,500 FED) in 2003-04 and by \$1,075,000 (-\$583,900 GPR and -\$491,100 FED) in 2004-05 to reflect reestimates of state costs for foster care and adoption assistance payments in the 2003-05 biennium.

2. MILWAUKEE CHILD WELFARE OPERATIONS AND AIDS [LFB Papers 431 and 432]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
GPR	\$5,316,300	3.18	- \$1,498,700	- 1.62	\$3,817,600	1.56
FED	- 1,788,300	- 3.18	- 2,372,400	1.62	- 4,160,700	- 1.56
PR	<u>5,059,700</u>	<u>0.00</u>	<u>- 1,817,800</u>	<u>0.00</u>	<u>3,241,900</u>	<u>0.00</u>
Total	\$8,587,700	0.00	- \$5,688,900	0.00	\$2,898,800	0.00

Governor: Provide \$4,363,500 (\$2,274,600 GPR, -\$399,300 FED, and \$2,488,200 PR) in 2003-04 and \$4,224,200 (\$3,041,700 GPR, -\$1,389,000 FED, and \$2,571,500 PR) in 2004-05 to support operations and service costs relating to child welfare services in Milwaukee County. In addition, convert 3.18 FED positions to GPR positions, beginning in 2003-04. Base funding for operations and services is \$110,067,700 (\$49,255,600 GPR, \$26,615,000, and \$34,197,100 PR).

Milwaukee Child Welfare Operations. Provide \$1,823,700 (\$405,400 GPR, -\$184,100 FED, and \$1,602,400 PR) in 2003-04 and \$2,171,200 (\$553,800 GPR, -\$68,300 FED, and \$1,685,700 PR) in 2004-05 to support the administration of the child protective services program in Milwaukee

County. Convert 3.18 FED positions to GPR positions annually to reflect projected changes in the Title IV-E claiming rate. Federal funding is available under Title IV-E of the Social Security Act and PR funding includes TANF funds transferred from DWD and MA targeted case management funds. Base funding for Milwaukee child welfare operations is \$18,950,900 (\$12,094,500 GPR, \$6,228,000 FED, and \$630,000 PR).

This item increases funding to support: (a) the Wisconsin statewide child welfare informational system (WISACWIS) to reflect a change in federal regulation that does not allow the state to claim Title IV-E matching funds for WISACWIS costs that relate to kinship care (-\$68,900 GPR, -\$737,700 FED, and \$806,600 PR annually); (b) supplies and services and Milwaukee's share of the master lease payments for the implementation costs of WISACWIS, based on a reestimated and extended payment schedule (\$303,500 GPR, \$240,000 FED, and \$461,100 PR annually); (c) reestimates of infrastructure costs related to the Bureau's computer systems (\$301,400 GPR, \$222,800 FED, and \$92,500 PR in 2003-04 and \$449,800 GPR, \$332,500 FED, and \$138,000 PR in 2004-05); (d) a reestimate of the amount of federal Title IV-E that the state can claim (-\$130,600 GPR and \$180,800 FED annually); and (e) changes in rent costs (-\$90,000 FED and \$242,200 PR in 2003-04 and -\$83,900 FED and \$280,000 PR in 2004-05).

Milwaukee Child Welfare Aids. Provide \$2,539,800 (\$1,869,200 GPR, -\$215,200 FED, and \$885,800 PR) in 2003-04 and \$2,053,000 (\$2,487,900 GPR, -\$1,320,700 FED, and \$885,800 PR) in 2004-05 to fund projected aids costs. The federal funding is available under Title IV-E and \$1,000,000 in 2003-04 from the state's federal adoption incentive award. The PR funding includes TANF funds transferred from DWD, collections, and MA targeted case management funds. Base funding for Milwaukee child welfare aids is \$91,116,800 (\$37,162,700 GPR, \$20,387,000 FED, and \$33,567,100 PR).

This item includes: (a) a reestimate of the amount of Title IV-E that the state can claim (\$2,971,300 GPR and -\$1,465,000 FED annually); (b) projected increases in placement costs (\$1,319,000 GPR, \$249,800 FED, and \$278,100 PR in 2003-04 and \$929,100 GPR, \$144,300 FED, and \$278,100 PR in 2004-05); and (c) projected decreases in service costs (-\$2,421,100 GPR, \$1,000,000 FED, and \$607,700 PR in 2003-04 and -\$1,412,500 GPR and \$607,700 PR in 2004-05).

Milwaukee child welfare aids fund: (a) direct payments for children in out-of-home care; (b) case management of out-of-home care cases; and (c) services to families where abuse or neglect has been substantiated or is likely to occur, but where the children remain at home as long as appropriate services are provided (safety services). DHFS contracts with private agencies for the administration of most Milwaukee child welfare aid activities.

Joint Finance/Legislature: Reduce funding in the bill by \$3,535,500 (-\$1,352,100 GPR, -\$1,274,500 FED, and -\$908,900 PR) in 2003-04 and by \$2,153,400 (-\$146,600 GPR, -\$1,097,900 FED, and -\$908,900 PR) in 2004-05 to support operations and services provided by the Bureau of Milwaukee Child Welfare. In addition, convert 1.62 GPR positions to FED positions, beginning in 2003-04.

Milwaukee Child Welfare Operations. Reduce funding in the bill by \$281,200 (-\$316,400 GPR and \$35,200 FED) in 2003-04, and by \$85,800 GPR and provide \$85,800 FED in 2004-05 and

convert 1.62 GPR positions to FED positions to reflect the following changes: (a) revised estimates of federal Title IV-E claiming rates for Bureau of Milwaukee Child Welfare positions (-\$85,800 GPR and \$85,800 FED annually and -1.62 GPR positions and 1.62 FED positions, beginning in 2003-04); and (b) delete \$281,200 (-\$230,600 GPR and -\$50,600 FED) in 2003-04 for supplies and services.

Milwaukee Child Welfare Aids. Reduce funding by \$3,254,300 (-\$1,035,700 GPR, -\$1,309,700 FED, and -\$908,900 PR) in 2003-04 and by \$2,153,400 (-\$60,800 GPR, -\$1,183,700 FED, and -\$908,900 PR) in 2004-05 to reflect revised estimates of state costs for services in the Bureau of Milwaukee Child Welfare. This reestimate is based on updated caseload figures, available federal funding, and technical corrections.

The following table summarizes the total funding that would be provided for aids expenses in the Bureau of Milwaukee Child Welfare under Act 33.

Milwaukee Child Welfare Aids Funding Summary
2003-05 Biennium
Act 33

	2003-04				2004-05			
	<u>GPR*</u>	<u>FED</u>	<u>PR</u>	<u>Total</u>	<u>GPR*</u>	<u>FED</u>	<u>PR</u>	<u>Total</u>
Placement Costs								
Foster Care	\$11,595,300	\$5,967,200	\$0	\$17,562,500	\$11,595,300	\$5,966,600	\$0	\$17,561,900
Treatment Foster Care	4,647,500	2,390,200	0	7,037,700	4,647,500	2,390,200	0	7,037,700
Wraparound Services	7,731,100	1,055,500	0	8,786,600	7,880,900	1,075,900	0	8,956,800
RCCs	3,474,000	751,600	0	4,225,600	3,474,000	751,600	0	4,225,600
Group Homes	1,972,800	426,800	0	2,399,600	1,972,800	426,800	0	2,399,600
Receiving and Assessment Homes	<u>3,798,100</u>	<u>0</u>	<u>0</u>	<u>3,798,100</u>	<u>3,798,100</u>	<u>0</u>	<u>0</u>	<u>3,798,100</u>
	\$33,218,800	\$10,591,300	\$0	\$43,810,100	\$33,368,600	\$10,611,100	\$0	\$43,979,700
Service Costs								
Safety Services	\$0	\$0	\$7,323,600	\$7,323,600	\$0	\$0	\$7,323,600	\$7,323,600
Ongoing Services	<u>7,795,000</u>	<u>2,583,000</u>	<u>0</u>	<u>10,378,000</u>	<u>8,795,000</u>	<u>1,583,000</u>	<u>0</u>	<u>10,378,000</u>
	\$7,795,000	\$2,583,000	\$7,323,600	\$17,701,600	\$8,795,000	\$1,583,000	\$7,323,600	\$17,701,600
Vendor Costs								
Case Management Contract	\$13,083,000	\$2,871,900	\$0	\$15,954,900	\$13,083,000	\$2,871,900	\$0	\$15,954,900
Out-of-Home Placement Unit	4,346,000	954,000	0	5,300,000	4,346,000	954,000	0	5,300,000
Adoption Contracts	1,895,000	1,459,000	0	3,354,000	1,895,000	1,459,000	0	3,354,000
FISS Unit	206,000	0	0	206,000	206,000	0	0	206,000
Independent Investigations	295,000	0	0	295,000	295,000	0	0	295,000
Prevention Services Contract	0	0	1,489,600	1,489,600	0	0	1,489,600	1,489,600
Mentors	307,500	67,500	0	375,000	307,500	67,500	0	375,000
Kinship Care Payment Unit	329,700	0	0	329,700	339,600	0	0	339,600
Trust Fund Accounting Unit	108,400	23,800	0	132,200	111,700	24,500	0	136,200
EDS Child Hospital	30,000	0	0	30,000	30,000	0	0	30,000
Adoption Search	50,000	0	0	50,000	50,000	0	0	50,000
Other	<u>1,493,100</u>	<u>311,600</u>	<u>0</u>	<u>1,804,700</u>	<u>1,493,100</u>	<u>311,600</u>	<u>0</u>	<u>1,804,700</u>
	\$22,143,700	\$5,687,800	\$1,489,600	\$29,321,100	\$22,156,900	\$5,688,500	\$1,489,600	\$29,335,000
Grand Total (Act 33)	\$63,157,500	\$18,862,100	\$8,813,200	\$90,832,800	\$64,320,500	\$17,882,600	\$8,813,200	\$91,016,300

*Includes GPR funding, collections and MA targeted case management revenues, and Milwaukee County's contribution.

[Act 33 Sections: 1279f and 1280]

3. WISACWIS [LFB Paper 433]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Veto (Chg. to Leg)	Net Change
GPR	\$2,006,900	- \$537,400	\$0	\$1,469,500
FED	7,076,800	0	0	7,076,800
PR	<u>681,500</u>	<u>537,400</u>	<u>- 537,400</u>	<u>681,500</u>
Total	\$9,765,200	\$0	- \$537,400	\$9,227,800

Governor: Provide \$4,506,600 (-\$234,000 GPR, \$4,462,500 FED, and \$278,100 PR) in 2003-04 and \$5,258,600 (\$2,240,900 GPR, \$2,614,300 FED, and \$403,400 PR) in 2004-05 to continue the implementation and ongoing support of the Wisconsin statewide automated child welfare informational system (WISACWIS). The increase in federal funding includes \$2,199,000 in income augmentation funds in 2003-04. The increase in PR funding includes \$518,600 annually in TANF funds transferred from DWD to DHFS and a reduction in amounts budgeted from county receipts and MA targeted case management funds transferred from the Division of Management and Technology for the costs of implementing and operating WISACWIS (-\$240,500 in 2003-04 and -\$115,200 in 2004-05). In addition, create a statutory allocation of TANF funding to support WISACWIS so that a total of \$1,695,700 in 2003-04 and \$1,741,300 in 2004-05 in TANF funds would be budgeted for this purpose.

WISACWIS is the automated child welfare system that assists case workers and administrators in managing child welfare services. The system maintains information on intake, assessment, eligibility determinations, case management, court processing, financial reporting, and administration. To comply with state law and to avoid financial penalties, DHFS must implement the system statewide by the end of the 2004-05 fiscal year. As of February, 2003, WISACWIS was fully implemented in Milwaukee County and 28 other counties. DHFS projects that by June, 2003, the system will be implemented in 40 counties.

Joint Finance/Legislature: Adopt the Governor's recommendations. In addition, require counties to support 50% of the non-federal portion of the ongoing costs of WISACWIS, beginning in 2003-04. Therefore, provide \$268,700 PR annually to reflect increased county payments and delete a corresponding amount of GPR annually.

Veto by Governor [C-29]: Delete \$268,700 PR annually to reflect the Governor's veto of the provision requiring counties to support 50% of the non-federal portion of the ongoing costs of WISACWIS.

[Act 33 Sections: 1280 and 9124(9c)]

[Act 33 Vetoed Sections: 448t, 1104m, and 9324(15x)]

4. KINSHIP CARE [LFB Paper 851]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
PR	-\$1,393,800	-\$67,000	-\$1,460,800

Governor: Reduce funding by \$696,900 annually to reflect the administration's estimate of the amount of funding that will be required to support kinship care payments in the 2003-05 biennium. The program is funded with federal TANF block grant funds transferred from DWD to DHFS. Under this item, a total of \$22,501,100 would be budgeted for kinship care benefits in each year.

Reduce from \$24,852,600 to \$24,155,700 the annual statutory allocation of TANF funds that would be budgeted to support the kinship care program. This new amount would reflect annual funding that would be budgeted to support kinship care benefits (\$22,501,100), assessments (\$1,464,000), and administrative costs (\$190,600 annually).

Counties, and in Milwaukee County, DHFS, pay a benefit of \$215 per month to kinship care relatives if: (a) there is a need for the child to be placed with the relative and placement with the relative is in the best interests of the child; (b) the child meets the criteria, or would be at risk of meeting the criteria, for a child or juvenile in need of protection and services, if the child were to remain at home; and (c) the relative meets other non-financial requirements.

Joint Finance/Legislature: Reduce funding for kinship care benefits by \$33,500 annually to reflect current estimates of kinship care payments made by DHFS and the counties. Total funding for kinship care benefits would be \$22,467,600 annually.

[Act 33 Section: 1274]

5. CHILD CARE LICENSING [LFB Paper 434]

	Governor (Chg. to Base)		Jt. Finance/Leg. (Chg. to Gov)		Net Change	
	Funding	Positions	Funding	Positions	Funding	Positions
PR	\$209,600	2.00	-\$209,600	- 2.00	\$0	0.00

Governor: Provide \$100,600 in 2003-04 and \$109,000 in 2004-05 and 2.0 positions, beginning in 2003-04, to perform child care licensing activities in the Bureau of Regulation and Licensing. The administration's intent is to convert 2.0 current positions, which are currently supported by federal child care development funds transferred from DWD, to 2.0 PR positions funded from child care license fee revenue, but the bill would not provide a corresponding decrease in funding or position authority from the funds transferred from DWD.

The Bureau is responsible for licensing and regulating child care facilities, children's group homes, shelter care facilities, residential care centers for children and youth, and child placing agencies for foster care and adoption.

Joint Finance/Legislature: Reduce funding by \$100,600 in 2003-04 and \$109,000 in 2004-05 and eliminate 2.0 positions, beginning in 2003-04, to reflect the Governor's intent to convert 2.0 PR positions funded with child care licensing revenue to 2.0 PR positions funded with federal child care development fund revenue. The federal child care development fund revenue would be transferred from the Department of Workforce Development to DHFS.

6. CENTRALIZED ELIGIBILITY UNIT

Governor/Legislature: Require DHFS to contract for the provision of a centralized unit for determining whether the cost of providing care for a child is eligible for reimbursement

under Title IV-E of the federal Social Security Act. Require DHFS to reduce a county's allocation of Title IV-E incentive funds by 50% if, on December 31 of any year, the county is not using the centralized eligibility unit for Title IV-E eligibility determinations

Under current law, if, on December 31 of any year, there remains any unspent or unencumbered funds in the community aids basic county allocation that exceed the amount received under Title IV-E and distributed to counties, DHFS must carry forward the excess funds and distribute at least 50% to counties, other than Milwaukee County, that are making a good faith effort to comply with implementing the Wisconsin statewide automated child welfare informational system (WISACWIS) by July 1, 2005, for projects to assist children and families and to support WISACWIS implementation costs. The funds distributed to counties are referred to as Title IV-E incentive funds.

Currently, 47 counties use the centralized eligibility unit to determine Title IV-E eligibility for children in their custody. This unit operates under contract with MAXIMUS, Inc., and uses information about new child welfare cases collected by counties to determine if a child in out-of-home care is Title IV-E eligible and if the case is eligible for Title IV-E reimbursement.

[Act 33 Sections: 1096, 1147, and 1148]

Community Aids and Supportive Living

1. COMMUNITY AIDS

FED	- \$2,119,000
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Governor/Legislature: Reduce funding by \$1,059,500 annually to reflect: (a) reductions in the amount of federal social services block grant (SSBG) funds and Title IV-B funds the state will receive; (b) a change in the base amount for calculating the amount of TANF funding that can be used for federal SSBG purposes; and (c) adjustments for Family Care.

Reduction in SSBG Funds. The actual federal SSBG award level in federal fiscal year 2001-02 was 2.8% less than the amount of SSBG that was budgeted in the 2001-03 biennium. Reduce funding by \$868,800 annually to reflect that less funding is available from this source to support community aids.

Reduction in Title IV-B Funds. The actual federal Title IV-B award level in federal fiscal year 2001-02 was less than the amount of Title IV-B that was budgeted in the 2001-03 biennium. In addition, DHFS expects the federal fiscal year 2002-03 award amount to be 1.2% less than the 2001-02 award amount. Reduce funding by \$154,800 annually to reflect that less funding is available from this source to support community aids. Specify that DHFS must distribute not more than \$3,809,600 in Title IV-B funds in each fiscal year under community aids.

TANF/SSBG Conversion. Under federal law, a state may use a portion of its TANF allocation to fund SSBG eligible activities. This percentage is based on the amount of TANF the state receives, which is the state's TANF award, less TANF funding received directly by tribes within the state. The Oneida Tribe is expected to begin directly receiving TANF funds in 2003, which will reduce the TANF amount received by the state. Reduce funding by \$35,900 annually to correctly reflect the amount of TANF funds that the state can use for SSBG purposes.

Family Care Adjustments. A portion of Family Care counties' community aids funding is transferred from community aids to Family Care to support Family Care program costs. Reduce funding by \$193,600 (-\$151,800 GPR and -\$41,800 FED) in 2003-04 and by \$193,200 (-\$151,500 GPR and -\$41,700 FED) in 2004-05 in community aids. Provide a corresponding increase of \$193,600 (\$151,800 GPR and \$41,800 FED) in 2003-04 and \$193,200 (\$151,500 GPR and \$41,700 FED) in 2004-05 in Family Care to reflect the correct amount of Family Care transfers.

Medical Assistance Funding. Include federal funds the state receives under the medical assistance (MA) program that the state claims for costs of preventing out-of-home care as a funding source for community aids. In addition, direct DHFS to first use these MA funds to meet the budgeted level of federal funding in community aids.

Basic County Allocation. Delete references to 2001-03 funding allocations, and instead, specify that funding for the basic county allocation would be \$242,078,700 in each fiscal year to reflect changes in the amount of federal funding that would be budgeted for the program.

Family Support Program. Delete references to the 2001-02 and 2002-03 funding allocations for the family support program. Instead, require DHFS to distribute not more than \$5,089,800 in each fiscal year for the program. This provision maintains the 2002-03 funding level for the family support program.

Family Support Program – Carryover Funds. Require DHFS to carry forward up to 5% of a county's family support program allocation from one calendar year to another, at a county's request. Require DHFS to carry forward up to 3% of the total amount of the county's community aids allocation, excluding the amount allocated to the family support program, from one calendar year to the next, at the county's request. Current law does not exclude the family support program allocation from the county's community aids allocation, but does allow counties to request that DHFS carry over 3% of the county's community aids allocation. Require counties to use these carryover funds for the purpose for which the funds were originally allocated, but prohibit counties from using these carryover funds for administrative or staff costs. Provide that all funds that were carried forward and that are not spent or encumbered by a county by December 31 of the calendar year to which those funds were carried forward would lapse to the general fund on the succeeding January 1. Specify that these carryover funds would not affect a county's base family support program allocation, or if funds were carried forward for other community aids programs, a county's base allocation for those programs.

Authorize DHFS to carry over any funds allocated for the family support program that are not carried over at a county's request, for emergencies, for justifiable unit service costs above

planned levels, and for increased costs due to population shifts. Under current law, DHFS may carry forward 10% of any community aids funds that are not spent or encumbered by counties by December 31 of each calendar year, and that are not otherwise carried forward, for emergencies, for services costs above planned levels, and for increased costs due to population shifts. This provision would allow DHFS to carry forward all family support program funds, while maintaining the 10% limit for other community aids programs. Specify that carryover funds do not affect a county's base family support program allocation or, if the funds were carried forward for other community aids programs, a county's base allocation for that program.

The following table summarizes the changes to community aids funding under Act 33.

**Act 33 Community Aids Funding
Changes to Community Aids Under This Item**

	2003-04			2004-05		
	<u>GPR</u>	<u>FED</u>	<u>Total</u>	<u>GPR</u>	<u>FED</u>	<u>Total</u>
Base	\$178,933,000	\$85,664,200	\$264,784,300	\$178,933,000	\$85,664,200	\$264,784,300
SSBG		-868,800	-868,800		-868,800	-868,800
Title IV-B		-154,800	-154,800		-154,800	-154,800
TANF		-35,900	-35,900		-35,900	-35,900
Family Care	<u>-151,800</u>	<u>-41,800</u>	<u>-193,600</u>	<u>-151,500</u>	<u>-41,700</u>	<u>-193,200</u>
Community Aids Total	\$178,781,200	\$84,562,900	\$263,531,200	\$178,781,500	\$84,563,000	\$263,531,600
Family Care Transfer	\$151,800	\$41,800	\$193,600	\$151,500	\$41,700	\$193,200
Item Total	\$178,933,000	\$84,604,700	\$263,724,800	\$178,933,000	\$84,604,700	\$263,724,800
Difference (Change to Base)	\$0	-\$1,059,500	-\$1,059,500	\$0	-\$1,059,500	-\$1,059,500

Other Changes to Community Aids*

	2003-04			2004-05		
	<u>GPR</u>	<u>FED</u>	<u>Total</u>	<u>GPR</u>	<u>FED</u>	<u>Total</u>
Family Care Simplification	-\$1,579,300	-\$208,200	-\$1,787,500	-\$1,579,300	-\$208,200	-\$1,787,500
Total Community Aids	\$177,353,700	\$84,396,500	\$261,750,200	\$177,353,700	\$84,396,500	\$261,750,200

* These funding changes are summarized under items relating to Family Care.

[Act 33 Sections: 478, 1144 thru 1146, 1149 thru 1153, and 1190]

2. RETIRED SENIOR VOLUNTEER PROGRAM [LFB Paper 440]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	- \$1,005,200	\$502,600	- \$502,600

Governor: Delete \$502,600 annually to eliminate all state funding that is currently budgeted to supplement federal funds agencies receive to support the retired senior volunteer program (RSVP). Repeal statutory provisions that authorize DHFS to establish and operate RSVP and all statutory references to the program.

The RSVP is a federal program that develops and supports volunteer opportunities for adults age 55 and older, enabling volunteers to stay or become active in the community through volunteer services. The RSVP recruits, interviews, trains, and places men and women with public and private nonprofit agencies requesting service. Funding is provided for out-of-pocket expenses, such as transportation and liability insurance for volunteers. In calendar year 2003, DHFS distributed state funds to 17 public and nonprofit agencies that serve 29 counties. These agencies received approximately \$1.0 million in federal funding directly from the Corporation for National and Community Services.

Joint Finance/Legislature: Delete the Governor's provision. Instead, provide \$251,300 annually for the program, which represents 50% of the amount allocated to RSVP projects in 2002-03. In addition, modify the statutes to specify that the RSVP program shall engage persons aged 55 or over as volunteers, instead of 60 or over, as stated in current law.

[Act 33 Sections: 1172 thru 1174]

3. MENTAL HEALTH/SUBSTANCE ABUSE MANAGED CARE DEMONSTRATION PILOT PROGRAMS

FED	\$586,700
PR	586,700
Total	\$1,173,400

Governor/Legislature: Provide \$724,200 (\$362,100 FED and \$362,100 PR) in 2003-04 and \$449,200 (\$224,600 FED and \$224,600 PR) in 2004-05 to fund one-time costs of developing a functional screening tool and data analysis activities that are necessary to continue implementing the mental health/substance abuse managed care demonstration projects that began in the 1999-01 biennium.

These costs would be supported from federal medical assistance (MA) matching funds and PR funding budgeted from the appropriation that supports licensing and support services provided by the Division of Supportive Living. Health care licensing fees, certification fees, plan review fees, fees for background checks, workshop fees, and fees assessed for inspecting, licensing, and approving facilities, and revenue from the annual licensing and approval fees assessed to inpatient health care facilities, are credited to this appropriation. Specify that the PR funding may be used for the demonstration projects only through June 30, 2005.

Require DHFS to expend \$362,100 in 2003-04 and \$224,600 in 2004-05 from the licensing and support services appropriation to contract with counties to provide up to six demonstration projects. Require the demonstration projects to provide mental health and substance abuse services under managed care program to persons who suffer from mental illness, alcohol or other drug dependence, or both mental illness and alcohol or other drug dependency.

Require DHFS to submit to the U.S. Department of Health and Human Services any requests for waiver of federal MA laws that are necessary to secure federal MA matching funds for these projects. Authorize DHFS to contract for the provision of the managed care demonstration projects, regardless of whether a waiver is approved.

In January, 2001, DHFS began operating four mental health/substance abuse demonstration projects that provide services to individuals with mental illness and/or alcohol or other drug dependency on a fee-for-services basis. The four mental health/substance abuse demonstration projects are in Milwaukee, Dane, Kenosha, and Forest/Oneida/Vilas Counties. DHFS expects that, eventually, services to individuals enrolled in the programs will be funded through capitation payments that will include a combination of MA, local tax, and community aids funds. Further, individuals will access services through a single-entry point.

[Act 33 Sections: 473, 474, 9124(2), and 9424(2)]

4. CARETAKER SUPPLEMENT ADMINISTRATION [LFB Paper PR \$1,013,200 852]

Governor: Provide \$506,600 annually in TANF funds to support increased costs of administering the caretaker supplement program that resulted when, beginning in January, 2002, DHFS and DWD established the program as a distinct program in the client assistance for re-employment and economic support (CARES) computer system with its own eligibility determination process. Before January, 2002, children for whom caretaker supplement payments were made were identified as children in certain medical assistance categories that were equivalent to caretaker supplement eligibility criteria. However, in January, 2002, county workers began using CARES to determine eligibility for the caretaker supplement and to maintain information on cases. Under federal cost allocation rules, DHFS must allocate a portion of CARES administration costs and the income maintenance contracts to the caretaker supplement program. In addition, DHFS will continue to contract with EDS to make payments under the program. DHFS used underspending in other TANF-funded programs to support these higher costs in the 2001-03 biennium.

Joint Finance/Legislature: Approve the Governor's recommendation. In addition, transfer \$15,200 in 2004-05 from the Division of Health Care Financing to the Division of Supportive Living to budget these funds in the correct appropriation.

5. SSI CARETAKER SUPPLEMENT REESTIMATE [LFB Paper 845]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
PR	\$248,300	\$14,718,800	\$14,967,100

Governor: Provide \$581,100 in 2003-04 and delete \$332,800 in 2004-05 to reflect a reestimate of the amount of TANF funding transferred from the Department of Workforce Development (DWD) to DHFS that will be required to support the state supplemental security income (SSI) caretaker supplement program in the 2003-05 biennium. The administration projects that the regular SSI caseload will continue to decrease and the SSI caretaker supplement caseload will increase in 2003-04 and then remain constant in 2004-05. The bill would provide a total of \$20,239,100 in 2003-04 and \$19,325,200 in 2004-05 in TANF funds transferred from DWD to support these payments.

SSI is a federal program that provides cash benefits to low-income disabled or blind adults and children. Each Wisconsin recipient of a federal SSI benefit is eligible for a basic state supplement to his or her benefit. A recipient's state benefit level is based on whether that individual is living independently in his or her own household or living in the household of another person. If a recipient has a spouse who is also eligible to receive SSI benefits, the couple receives a combined benefit. The caretaker supplement is a cash benefit to SSI recipients who have dependent children. The benefit is \$250 per month for the first dependent child and \$150 per month for each additional dependent child.

Joint Finance/Legislature: Increase funding by \$5,513,500 in 2003-04 and \$9,205,300 in 2004-05 to reflect a reestimate of the funding necessary to support the SSI caretaker supplement program in the 2003-05 biennium. Total funding for caretaker supplement benefits would be \$30,669,800 (\$4,917,200 GPR and \$25,752,600 TANF) in 2003-04 and \$31,939,000 (\$3,408,500 GPR and \$28,530,500 TANF) in 2004-05.

[Act 33 Section: 1275]

6. TRANSFER CHILDREN'S COMMUNITY PROGRAMS [LFB Paper 270]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	-\$370,000	\$0	-\$370,000
PR	<u>0</u>	<u>370,000</u>	<u>370,000</u>
Total	-\$370,000	\$370,000	\$0

Governor: Delete \$185,000 GPR annually to reflect the effect of transferring support for four grants for children's community programs from GPR budgeted in DHFS to federal Byrne anti-drug law enforcement funding budgeted in the Office of Justice Assistance (OJA) in DOA. Require OJA to fund the following statutorily designated grants with these federal funds: (a) the Career Youth Development Center in the City of Milwaukee for the operation of a minority

youth substance abuse treatment program (\$80,000 annually); (b) court-appointed special advocate programs that are recognized by a chief judge of a judicial administrative district to perform advocacy services for children in need of protection and services (CHIPS) proceedings (\$50,000 annually); (c) the Children's Safe House Child Care program in Kenosha County for the operation of that program (\$50,000 annually); and (d) the Milwaukee Police Athletic League to purchase sports and recreational equipment for two gymnasium facilities and to contribute to the operating expenses of those gymnasium facilities (\$5,000 annually).

Joint Finance/Legislature: Modify the Governor's recommendation by providing \$185,000 PR annually in Byrne and matching penalty assessment funds for children's community grants, subject to the availability of penalty assessment funds and OJA's distribution of these funds. Specify that OJA may provide the following amounts of Byrne and penalty assessment funds to DHFS to support the identified grants: (a) \$80,000 annually for the Career Youth Development Center; (b) \$50,000 annually for court-appointed special advocate programs; (c) \$50,000 annually for the Children's Safe House Child Care program; and (d) \$5,000 annually for the Milwaukee Police Athletic League. In addition, reduce GPR funding for the Career Youth Development Center grant from the proper appropriation in DHFS.

Veto by Governor [C-6]: Delete the reference to availability of penalty assessment funds. Therefore, OJA is required to distribute \$185,000 PR annually in Byrne and penalty assessment funds for children's community grants.

[Act 33 Sections: 230 and 1158 thru 1165]

[Act 33 Vetoed Section: 9101(13p)]

7. HOSPITAL DIVERSION FOR CHILDREN WITH SERIOUS EMOTIONAL DISTURBANCES

PR	- \$124,600
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Governor/Legislature: Reduce funding by \$235,500 (-\$100,300 GPR and -\$135,200 PR) in 2003-04 and increase funding by \$110,900 (\$100,300 GPR and \$10,600 PR) in 2004-05 to: (a) provide grants for Winnebago and Brown Counties to establish integrated service projects (ISPs) for children with serious emotional disturbances (SED), beginning in 2003-04; and (b) provide funding to support MA card services for children who enter the ISPs but are not currently enrolled in MA. Base funding for this program is \$721,300 PR. Currently, DHFS distributes these grants to the Northwoods Alliance for Children and Families (Forest, Oneida, Vilas, Marathon, Langlade, and Lincoln Counties) and Kenosha County. The grant to the Northwoods Alliance ends in 2002-03 and the grant to Kenosha County would continue in the 2003-05 biennium.

In addition, make the following statutory changes.

Service Coordination. Permit a county to qualify for grant funding if it provides service coordination on behalf of a child with a serious emotional disturbance and the child's family in the county as an alternative to a current requirement that the county submit a plan that specifies

the proposed use of funds to implement the program, including, at the time of termination of funding provided under the program, enrollment of children served under the program in a limited service health organization that covers both inpatient and outpatient expenses.

Hospital diversion funds are MA benefit funds that DHFS may transfer from the Division of Health Care Financing to the Division of Supportive Living for grants to counties to support mental health services for children with SED. Under current law, to receive hospital diversion funds, in addition to submitting the plan specified above, a county must do at least one of the following: (a) receive a federal grant for community mental health services for children with SED; (b) receive any grant for services to SED children; or (c) be in compliance with the statutory requirements for an ISP program, except that the county is not required to be currently receiving a state grant to support that ISP program. Under this provision, the eligibility criteria would be expanded to include any county that is providing integrated services for children with SED, and would not require the county to be following or developing a managed care model for its ISP, which is the effect of current law.

Funding Lapses. Specify that hospital diversion funds that DHFS does not distribute to a county, instead of funds that a county does not encumber as provided under current law, before 24 months after June 30 of the fiscal year in which DHFS allocated the funds to the county, lapse to the MA benefits appropriation. Permit a county at any time to expend funds that DHFS distributes to the county, consistent with the requirements of the use of the funds. Under current law, these funds may be used for: (a) mental health care and treatment in an inpatient facility for children with SED; and (b) community mental health services for children with SED.

Integrated service projects provide integrated services, also referred to as "wraparound services," that focus on the strengths and needs of the child and family and "wrapping" services around them to treat and support families in the community. The program serves children under 18 years of age who: (a) have a serious emotional disturbance; (b) have minimal coping skills to meet the ordinary demands of family life, school, and the community; and (c) are involved in two or more service systems, including mental health, child welfare, or juvenile justice. Currently, 27 counties in Wisconsin have ISP programs.

[Act 33 Sections: 1167m thru 1171]

8. HEALTH FACILITY REGULATION AND PENALTIES

	<u>Governor</u> <u>(Chg. to Base)</u>		<u>Jt. Finance/Leg.</u> <u>(Chg. to Gov)</u>		<u>Net Change</u>	
	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>	<u>Funding</u>	<u>Positions</u>
PR	\$87,000	1.00	-\$87,000	- 1.00	\$0	0.00

Governor: Provide \$41,800 in 2003-04 and \$45,200 in 2004-05 and 1.0 regulatory specialist position, beginning in 2003-04, for the Bureau of Quality Assurance to address the backlog relating to assessing forfeitures on nursing homes for violations of license and certification standards.

Create Forfeiture Surcharge. Require DHFS to levy a surcharge equal to 6% of the amount of any forfeiture DHFS imposes for statutes relating to nursing home violations and rules promulgated under those statutes. Specify that if multiple violations are involved, the forfeiture surcharge would be based on the total forfeitures for all violations. Require DHFS to credit all forfeiture surcharge revenue to a current appropriation that supports the Department's regulation of nursing homes. The additional regulatory specialist position would be funded from this source.

Specify that the current statutes that apply to the assessment of forfeitures and timely payment of forfeitures would also apply to nursing home forfeiture surcharges, including: (a) the requirement that DHFS send a notice to the facility in violation indicating the amount of the forfeiture and surcharge, the alleged violation, and the licensee's right to a fair hearing; and (b) the requirement that facilities remit forfeiture and forfeiture surcharges to DHFS within 10 days of receipt of notice or within 10 days of receipt of the final decision if the violation is contested

Increase Penalties for CBRF Violations. Increase the maximum forfeiture DHFS can impose on a community-based residential facility (CBRF) from \$1,000 per violation to \$10,000 per violation.

Under current law, licensing and support service revenues fund health facility plan and rule development activities, facility accreditation, capital construction and remodeling plan reviews, technical assistance, and associated licensing and support costs. Forfeitures are assessed on facilities for violating licensing and certification standards and submitted to the State Treasurer for deposit in the common school fund. Forfeitures assessed to CBRFs currently range from \$10 to \$1,000 for each violation, while nursing home forfeiture amounts vary.

Joint Finance/Legislature: Delete provision.

Require DHFS to reduce the number of nursing home surveyor positions it employs in each year, beginning in 2003-04, by the same percentage decrease in the number of all facilities regulated by the Bureau of Quality Assurance (BQA) as of December 31 of the previous fiscal year, compared with the number of facilities as of December 31, 2001. In each subsequent year, require DHFS to reduce the number of positions it employs in BQA in each year by the same percentage decrease in the number of facilities as of December 31 of the previous year, compared with the number of facilities as of December 31 of the previous year.

Veto by Governor [C-27]: Delete the requirement that DHFS reduce the number of nursing home surveyor positions it employs in each year according to the calculation specified above.

[Act 33 Sections: 473, 474, 1472b, and 9454]

[Act 33 Vetoed Sections: 1466d]

9. INTERPRETER SERVICES

Governor/Legislature: Transfer \$100,000 GPR annually that currently funds interpreter services for hearing-impaired individuals from a state operations appropriation to an aids appropriation that currently funds telecommunications assistance for hearing-impaired individuals. Modify the current aids appropriation to authorize DHFS to make payments for interpreter services from the appropriation.

[Act 33 Sections: 475 and 1143]

10. INPATIENT HEALTH CARE FACILITY REVENUES

Governor/Legislature: Increase, from \$309,300 in 2002-03 to \$334,800 in 2003-04 and to \$338,200 in 2004-05, the amount of health care facility fee revenues that would support the Department's vital records and health services regulation activities. Delete references to fiscal year 2001-02 and 2002-03 allocation amounts.

DHFS collects fee revenue from health care facilities to support its regulation function. Currently, nursing homes are required to pay \$6 per licensed bed annually, while other inpatient health care facilities, including hospitals, pay \$18 per licensed bed. Revenue from these fees is credited to one of two PR appropriations that fund: (a) vital records and health services regulation activities; and (b) licensing and regulation of health care facilities. This statutory provision assigns a certain amount of revenue from this source to the vital records and health services appropriation -- the rest is credited to the appropriation that funds the licensing and regulation of health facilities.

[Act 33 Section: 457]